

OVERSEAS MOVING
BY MICHAEL GERSON
01-4461300

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AUTOMOTIVE PARTS
& ACCESSORIES

WORLD NEWS

More than 80 die as storms batter Europe

The numbers killed in the violent gales that battered Southern Britain on Thursday rose to 45, bringing the total death toll in Europe to more than 80. Initial estimates of the cost of the damage caused by the storm, one of the worst this century, are at least £1bn in the UK alone. Page 2; 12bn trail of destruction, Page 4

Airliner crash kills 67

Sixty-seven people were killed when a Colombian airliner crashed on Long Island, near New York's Kennedy Airport. The Boeing 707, with 186 people on board, veered away from the airport as it came in to land. Moments earlier an amateur radio operator picked up a message from the pilot in which he said: "I'm running out of fuel. There goes my last engine."

Fresh crisis in Romania

Romania lurched into political crisis when Vice-President Dumitru Mazilu resigned, accusing the country's new leaders of adopting Stalinist methods. Mr Mazilu, the number two figure in the ruling National Salvation Front, moved into open dissent against Nicolae Ceausescu in 1988. Earlier story, Page 2

Bush's son faces action

Federal regulators yesterday threatened to take action against Neil Bush, one of President Bush's four sons, over charges that he acted improperly while a director of Silverado, a failed Colorado savings and loan institution. The Office of Thrift Supervision said it would seek a cease-and-desist action against Mr Bush, 35, which would forbid him not to engage in further conflict of interest actions.

FT opposes court move

The Financial Times and other news organisations will go to Southwark Crown Court, London, on Monday to argue against the imposition of a reporting ban on what is seen as the City trial of the century - the Guinness trial due to start on February 5. Page 5

Ford strike intensifies

More than 550 Ford workers voted overwhelmingly to continue an unofficial strike, which has caused the closure of two plants and more than halved the company's normal UK car output. Page 5

Ureia ruled offside

The European Commission criticised the Union of European Football Associations for letting its clubs discriminate against players on grounds of nationality. Page 3; Rogan Taylor, Man in the News, Page 5

Dancers' dispute settled

The dispute between dancers and London's Royal Opera House has been resolved following a commitment by Jeremy Isaacs, the general director of the Opera House, to a package of measures. Page 5; Letters, Page 7

Lady Elwyn-Jones dies

Lady Polly Elwyn-Jones, wife of the former Labour Lord Chancellor, has died in a Brighton hospital. She was 85. Lady Elwyn-Jones was well known as the charismatic artist and writer Pearl Binder.

Australia lead Games

Australia soared to the top of the medals table on the second day of the Auckland Commonwealth Games after taking eight out of 15 swimming medals. Australia top the table with 11 gold, nine silver and 10 bronze, closely followed by India with 11 golds, England, with three golds, are fourth, behind Canada.

Frog hunters thwarted

Egyptian Agriculture Minister Youssef Wali has banned the hunting of frogs for three months from March 1 to conserve stocks during the breeding period. Egypt exports 35 tonnes of frogs a month.

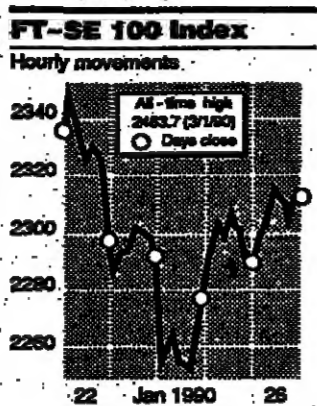
BUSINESS SUMMARY

Ridley will not hand his powers to SIB

Nicholas Ridley, Trade and Industry Secretary, ruled out devolving any of his powers of investigation and prosecution to the Securities and Investments Board.

FT-SE 100 Index

Hourly movements



RECORD exports

RECORD British exports last month produced a sharp fall in December's current account balance of payments deficit and gave a boost to equity prices in London.

GUINNESS PRAT AVIATION

The Ireland-based international aircraft leasing company, expects to lease \$2bn (£1.2bn) worth of new aircraft to the newly-emerging eastern European aviation market over the next decade. Page 3

KEYCO DS, the US drug store

chain which was the first failed billion-dollar leveraged buy-out, is to sell more than 700 of its stores as part of its restructuring plans.

MILLWALL HOLDINGS

owner of the south London First Division football club, plans to buy a chain of public houses by acquiring Tavern Leisure for \$2.7m. Page 8

GROUPS BULL, the French

state-owned computer maker, is to cut 1,200 jobs because of a sharper-than-expected slowdown in demand for its main products. Page 10

FIAT: Cesare Romiti, managing

director of the Italian car-maker, has pushed through a large-scale restructuring of top management, designed to streamline lines of reporting and lighten his responsibilities. Page 10

RIO ALGOM, the Canadian

mining company controlled by RTZ of the UK, is to cut its uranium production by more than two thirds with the closure next year of two mines in northern Ontario. Page 10

TI GROUP, UK-based specialist

engineering company, has completed the disposal of its automotive division with the sale of TI Cox to BTR, the industrial conglomerate, for £15.5m. Page 6

SOCIETA Italiana Vetro, the

Italian glass manufacturer, is to set up a \$2m plant employing 110 people in Coventry, West Midlands.

EASTERN AIRLINES, the US

carrier operating under the protection of the bankruptcy courts, has forecast further heavy losses and has sharply reduced its offer to creditors because of soaring fuel costs and low traffic figures plaguing all US carriers. Page 10

VAN HEUSEN shirt factory

at St Austell, Cornwall, closed with the loss of 257 jobs. Production is being transferred to Northern Ireland.

TEXAS INSTRUMENTS of the

US reported 1989 fourth quarter earnings of 33 cents per share, down from \$1.04, and said it could have a loss for the first quarter of 1990.

US economy slows

The growth of the US economy slowed sharply towards the end of last year, but the Administration and most forecasters believe a recession can probably be avoided.

Balance of payments

Current account deficit (£bn)



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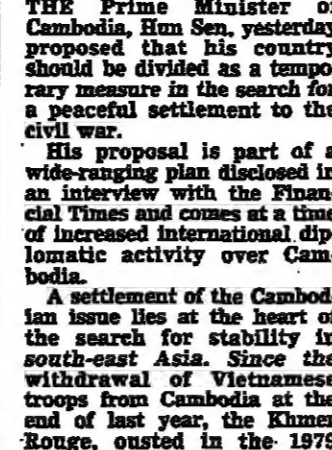
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Cambodia's PM proposes division of country in move to settle civil conflict

By John Pedler in Phnom Penh and Robin Pauley in London



Hun Sen: division seen as a temporary measure

THE Prime Minister of Cambodia, Hun Sen, yesterday proposed that his country should be divided as a temporary measure in the search for a peaceful settlement to the civil war.

His proposal is part of a wide-ranging plan disclosed in an interview with the Financial Times and comes at a time of increased international diplomatic activity over Cambodia.

A settlement of the Cambodian issue lies at the heart of the search for stability in south-east Asia. Since the withdrawal of Vietnamese troops from Cambodia at the end of last year, the Khmer Rouge, ousted in the 1979 invasion by Hanoi, have launched a military offensive

to re-establish their claim on the country. Hun Sen's plan is a development of an Australian proposal which has already gained widespread international support. It centres on three main points:

● The temporary division of Cambodia with two separate administrations running their own economies and social services and preserving law and order in their areas.

● A United Nations Interim Administration to control the implementation of international agreements regarding Cambodia and organise elections.

● A National Council with representatives from both governments to represent Cambodia and occupy the UN seat pending elections.

His plan assumes that all warring factions in Cambodia agree to a ceasefire and the principal arms suppliers would halt military supplies.

Peace efforts so far have foundered on Hun Sen's insistence that there can be no role for Pol Pot's notorious Khmer Rouge and on Chinese insistence that the Khmer Rouge must be included. Hun Sen's proposal would allow the coalition of three opposition parties dominated by the Khmer Rouge to administer the territory they control near the Thai border pending elections. The coalition would also have representatives on the National Council although it is not clear whether Hun Sen would accept the presence of Pol Pot himself.

Earlier this month the five permanent members of the United Nations Security Council met in Paris to discuss the Australian proposal which would have transferred the administration of Cambodia to UN trusteeship pending elections, with Cambodia's seat at the UN declared vacant until after the elections. The five - the US, Soviet Union, China, France and Britain - agreed on a range of issues but not on the specific UN role.

Since then, Mr Ali Alatas, the Indonesian Foreign Minister and co-sponsor of the Paris peace conference on Cambodia which collapsed in August, has met all the country's factions and secured agreement to further negotiations in Jakarta. Hun Sen interview, Page 2

Weekend FT



THE CANKERED APPLE

As New York emerges richer and glitzier from a decade of growth, the new mayor faces a mounting crisis of poverty and mismanagement. Anatole Kaletsky reports
Page IV

Finance

The risks and rewards of trying to make a fast buck out of eastern Europe
Page III

Diversions

Why university dons will need initiative and skulduggery when education comes to the marketplace
Page VIII

Motoring

Stuart Marshall falls for a curvaceous Japanese model
Page XVI

Travel

Arnold Wilson finds lots of snow - in the Caucasus - and goes hell-skating
Page XIV

Sport

Peter Berlin previews tomorrow's Superbowl
Page XX

Record exports boost equities and cut current account deficit

By Peter Norman, Economics Correspondent

RECORD British exports last month produced a sharp fall in December's current account balance of payments deficit and gave a boost to equity prices in London.

The Central Statistical Office announced that Britain's current account deficit fell to £1.2bn last month from £1.4bn in November. The December total was substantially below market expectations of a £1.5bn shortfall and indicated that the Government's high interest rates policy is succeeding in damping domestic demand and channelling production abroad.

However, the UK current account deficit for the whole of last year was an unprecedented £20.3bn. This was 38 per cent up on the 1988 deficit of £14.7bn and slightly higher than the £20bn forecast by Mr John Major, the Chancellor, in November.

The City interpreted yesterday's figures as a second piece of good news for Mr Major, after the decision of Ford car workers earlier in the week to reject strike action and accept the company's 10.2 per cent pay offer.

However, in spite of the lower than expected current account deficit in December, economists warned that there was no chance of an early cut in interest rates. For that, they said, the Government would need strong evidence that inflation was on a downward path.

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However, the final quarter's figures were not as bad as some economists feared. Page 22

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Western companies may take stakes in Skoda Engineering

By Leslie Collis in Prague

SKODA Engineering of Czechoslovakia, Eastern Europe's biggest engineering company, is to be transformed into a joint stock company. It is also considering bids from several large Western companies seeking a partial merger.

This follows a suggestion by Mr Andrej Barak, Foreign Trade Minister, that the Skoda car company, a separate state entity, is also a candidate for possible merger with a Western car manufacturer.

A Western stake in Skoda Engineering could dwarf the recent investment in Tungsram, the Hungarian lighting company, by General Electric of the US. GE, it emerges, is one of the bidders for part ownership of Skoda.

Mr Richard Mares, technical director of Skoda Engineering, said talks with prospective Western investors were continuing. "We want to be integrated into the world economy," he said, recalling that Skoda was a multinational company before the Second World War.

Western interest is focused

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MARKETS

STERLING

New York lunchtime: \$1.8910

London: \$1.8985 (1.8970)

DM2.8520 (2.7950)

FF9.5220 (9.4975)

SFR2.4800 (2.4650)

Y237.25 (239.25)

£ index 88.1 (87.9)

GOLD

New York: Comex Feb \$419.8

London: \$418.75 (+3.75)

DOLLAR

New York lunchtime: DM1.8975

London: FF9.5290

SFR1.4910

Y143.10

London: DM1.8930 (1.8875)

FF9.5250 (9.5225)

SFR1.4975 (1.4975)

Y143.30 (144.40)

\$ index 87.1 (87.4)

Tokyo close: 143.97

US LUNCHTIME

Fed Funds 8

OVERSEAS NEWS

Moscow aims to 'destroy' Azerbaijan Popular Front

By John Parker in Moscow

GENERAL Dmitri Yazov, Soviet Defence Secretary, said yesterday that the aim of Kremlin policy in Azerbaijan was to smash the hold over power established by the Popular Front.

His outspoken remarks contrast sharply with more eloquent speeches given recently by other top officials, including one by Mr Vadim Bakhatin, the Interior Minister.

Mr Bakhatin, referring to the healthy forces within the Front, had appeared to pave the way for negotiations between it and the Government.

Gen Yazov, in an interview with the government daily newspaper *Izvestia*, said that 24 hours before Moscow had acted to quell the Azerbaijani troubles, the Popular Front had declared a state of emergency and had been planning to hold a meeting on the day the tanks rolled.

At this meeting, he said, the Front would have announced it had taken power in the republic.

lic. "This is not a slip of my tongue," Gen Yazov said. "I mean power."

He declared that the Front had established itself at all enterprises and offices, adding that "our task is not to arrest everyone but to destroy this structure of power."

Further evidence of the Kremlin's hard line against the Popular Front came in the form of two night-time raids on the mission of the Azerbaijan Government in Moscow, which has become a centre for the Popular Front.

One witness told Radio Moscow that the mission had been surrounded by men in the uniforms of the Spetsnaz, an official paramilitary group. The witness added that the men had searched the building and taken away records, and had also briefly arrested four leaders of the Popular Front.

In Baku, which was relatively quiet last night, reports suggested the Front was fulfilling its promise to wage a guer-

rilla war against the occupying forces.

The newspaper *Trud*, quoting what it called authoritative sources, said the Front had split into several groups and had gone underground.

According to another officer, Lt-Gen Grebenyuk, members of the Front had developed an elaborate system of codes and warnings, reminiscent of an underground army, and were able to keep in touch with each other through short-wave radios.

But negotiations in the area, where Armenian and Azerbaijani nationalist groups have agreed to a ceasefire along the border with Iran, were beginning, though not with the Government.

Members of the Latvian Popular Front, the nationalist group in the Baltic Republic, were due to fly to Baku today, to mediate in talks between the Armenian National Movement and the Azerbaijan Popular Front. Those talks are due to begin on Monday.

Pakistani general details ISCT deals

By Christina Lamb

PAKISTAN'S head of military procurement admitted yesterday that ISC Technologies, the US arms contractor at the heart of fraud and customs investigations in the UK and the US, might have signed contracts in Pakistan without his knowledge.

Gen Tahir Mahmud, one of Pakistan's most powerful generals, also detailed for the first time officially acknowledged contracts between the US arms group and the Pakistani Government.

Deals between the Islamabad Government and ISCT lie at the centre of an alleged \$215m fraud which has plunged Ferranti, the UK defence electronics group, into serious financial trouble. Ferranti acquired International Signal and Control, ISCT's parent, in 1987. It is suing Mr James Guerin, ISCT's founder, for \$185m.

Gen Mahmud says the only legitimate contracts he authorised with ISCT were one for cluster bombs worth £18m and one for proximity fuses for artillery worth \$24m.

He denied any knowledge of a supposed missile deal between Pakistan and ISCT which is the biggest contract involved in the alleged fraud which Ferranti claims to have uncovered in September.

Ferranti was apparently mainly attracted to ISCT by \$460m missile system contract which Mr Guerin said he had with Pakistan. Ferranti says this turned out to be bogus.

Mr Guerin, in US legal testimony published this week, said the purported Pakistani contract signed on November 5 1986, followed his personal negotiations with Pakistan's President Zia.

It was executed on behalf of Pakistan by KP Industries, which contract documents describe as representing the President of the Islamic Republic of Pakistan.

Gen Mahmud said "I have no idea whether there were other contracts" but admitted "Guerin visited Pakistan two or three times to my knowledge" and "it is quite possible that he met President Zia".

Gen Mahmud said repeatedly "the contracts I authorised are lawful contracts", adding: "normally it would not be possible for contracts to be signed without my knowledge". But he admitted: "This is not a normal situation."

In the short term, the outlook at all Airbus's production plants is clouded by the strike at British Aerospace, one of the four partners in the consortium, which has blocked delivery of new wings. The board said it had reviewed the implications for its programmes.

The Airbus assembly line in Toulouse, already slowed to a rhythm of 1.2 aircraft a month, is now close to total shutdown.

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Hun Sen seeks to build on 'reality' of two governments' in Cambodia

John Pedler talks to the prime minister about his peace proposal

A NEW peace plan for Cambodia, involving a temporary division of the country with two parallel governments and a big administrative role for the United Nations pending elections, was proposed yesterday by Prime Minister Hun Sen.

Speaking to the Financial Times, Hun Sen spelled out in a detail a variation on an Australian plan considered recently by the five permanent members of the UN Security Council.

A ceasefire would be necessary and all military assistance to Cambodia's warring factions would have to halt. Under those conditions elections could be held. "We can settle this problem this year," Hun Sen said.

The Australian plan proposed that the UN should administer Cambodia's central government as trustee pending elections and the country's UN seat, currently occupied by the opposition coalition in which Pol Pot's Khmer Rouge is the dominant partner, should be declared vacant.

Hun Sen believes the task would be too great for the UN alone. "It would be a vast operation. How could it be managed without enough Khmer speakers. Would it not lead to chaos?"

His proposal combines most of the Australian ideas with some of the step-by-step approach to peace advocated by Chatchai Choonavan, the Thai Prime Minister.

"First, we accept participation by the United Nations. 'Second, we are prepared to leave in place two governments which control two regions of the country. But these two governments must relinquish part of their authority to the United Nations. These two authorities would maintain Cambodian sovereignty and public order and would exercise daily control over our economic and social life. In particular, they would preserve law and order prior to elections."

"Neither of the two governments should legislate or act to obstruct the UN role agreed upon and they must not impede elections. There would be international control over the withdrawal of Vietnam, over the cessation of military assistance, and over a ceasefire."

"Third, a National Council would be set up with the two governments participating. 'I agree it should represent Cambodia and I even agree that the Council should occupy Cambodia's UN seat. This is new, compared with the Australian proposal. It enables us to address the issue of the seat without anyone losing face. Then after elections the new Government would occupy Cambodia's seat."

When Hun Sen refers to two governments, the second is the government of the Democratic People's Republic of Kampuchea - a coalition of three opposition groups, one led by Son Sann, a former Prime Minister who lives in exile in



Hun Sen: "We can settle this problem this year."

France, one led by Prince Norodom Sihanouk, the former Cambodian head of state, and one led by Pol Pot, whose four years in power from 1975 resulted in more than 1m Cambodians being killed before the Vietnamese invaded to overthrow him.

Prince Sihanouk is usually the titular head of the coalition, although he is prone to resigning which he did for the fifth time this week.

Hun Sen has always argued that the possibility of a return by Pol Pot's Khmer Rouge must be avoided at all costs, and he repeated in the interview: "Any political solution which does not guarantee the non-return of Pol Pot is not acceptable to us."

But Hun Sen's new plan allows a temporary role for the coalition in the areas which they control - mainly the north-west rural areas close to the Thai border - and this

could be enough of a concession to persuade the Khmer Rouge to accept a ceasefire and UN-controlled elections.

Hun Sen stressed that his idea of maintaining the two existing governments in two regions did not go as far as Sihanouk's previous suggestion of full partition of Cambodia. "But the reality is that there are two governments and unity can come after elections. Meanwhile we must respect Cambodian sovereignty."

Hun Sen, a Cambodian who was a Khmer Rouge commander until he changed sides, allegedly because of disgust at Pol Pot's barbarity.

He has made an increasingly favourable impression on western governments in recent times, both for his ability to run an economy on minimal resources and for his apparent reasonableness in international negotiations.

He is clearly confident that free elections would not return the Khmer Rouge to power. His plan, if adopted, would achieve a key objective for any UN authority: co-operation from the two existing regimes within Cambodia.

There have been suggestions that the UN role in Cambodia could be like that in Namibia. "At first we thought it good to have that, but some, including Sihanouk, pointed out that Cambodia is not a colonial territory like Namibia."

"In Namibia the incumbent government organised the elections with the assistance of the UN. But in the case of our proposal it is the UN which would have the authority to organise the elections with the help of the two national authorities. How could we have free elections?"

Hun Sen said his ideas for two temporary governments and a UN interim administration were based on realities: "You respect me and I will give you some of my power. These are two ends of the same stick. If we get into agreement or there will be further conflicts and the UN could become a party to them."

Aircraft leasing boom expected

By Paul Abrahams

GUINNESS Peat Aviation (GPA), the international aircraft leasing company, says it is expecting to lease new aircraft worth \$2bn (\$3.2bn) to the newly-emerging Eastern European aviation market over the next decade.

Mr Tony Ryan, the chairman and chief executive of the group, announced in Budapest that Malev, the Hungarian national airline, had signed a contract with GPA to lease three Boeing 737-300 aircraft for as long as eight years, with the possibility of extending it five times for two years at a time. The jets will be delivered in the third quarter of 1991. No financial details were given.

The Malev agreement follows a series of deals between

Western companies and East and Central European airlines in what is proving to be a rapidly-growing market.

This week, Aeroflot, the Soviet carrier, ordered five A310-300 jets from Airbus Industrie, the European consortium. Interflug, the East German airline, and CSA of Czechoslovakia have also ordered Airbus aircraft. Boeing has already sold three 767s to Lot, the Polish airline.

Mr Lajos Jahnke, director-general, said Malev needed to expand its fleet of six short-to-medium-range Western aircraft with longer-range wide-body equipment in the near future.

Airbus estimates that Aeroflot alone could need as many as 22 Western aircraft during

the 1990s. Banking sources in London suggest several other deals are being negotiated.

The East European airlines hope to be able to finance the lease or purchase of Western aircraft by flying them on international routes to earn hard currency.

The Western aircraft are required because they do not have their Eastern counterparts' unfortunate reputation for lack of comfort and safety. They are also more fuel-efficient and cheaper to operate.

It remains to be seen, however, if Eastern European airlines will be able to compete effectively with Western carriers. East European standards of service have not, in the past, been noted for their excellence.

Airbus rules out German move

By George Graham in Paris

AIRBUS Industrie, the European passenger aircraft producer, has decided against shifting assembly of its next generation of aircraft from France to West Germany, but has left the door open for transferring future aircraft programmes.

The supervisory board of the four-member Airbus consortium agreed at a board meeting in Toulouse yesterday that future generations of aircraft should be both assembled and customised, or fitted out to individual airlines' requirements, on the same production line.

With the production line for the new A330/340 medium-to-long-range airliners, due to enter service in 1992, already 90 per cent completed at Toulouse, this rules out transfer of assembly to Hamburg, as the German partners had sought.

The board left a loophole for the possibility of assembling the A321, which is due to enter commercial service in 1994, in Hamburg. However, it asked for a management report on the financial costs, leaving a final decision to the next board meeting on February 23.

Since the A321 is basically a stretched version of the A320,

some observers believe it would be more economical to assemble it, too, at Toulouse, on the same line as its sister A320.

In the short term, the outlook at all Airbus's production plants is clouded by the strike at British Aerospace, one of the four partners in the consortium, which has blocked delivery of new wings. The board said it had reviewed the implications for its programmes.

The Airbus assembly line in Toulouse, already slowed to a rhythm of 1.2 aircraft a month, is now close to total shutdown.

Dublin starts £1bn green industry plan

By Tim Dickson in Dublin

ENVIRONMENT-friendly industries are to be offered special inducements to settle in Ireland as part of a £1bn green action programme announced by the Dublin Government yesterday.

Mr Padraig Flynn, the country's Environment Minister, said Ireland's Industrial Development Authority (IDA) had been charged to seek out companies with a good environmental record, and higher rates of industrial grants would be made available to help them move.

Extra money will also be found to encourage businesses to invest in new processes, while "dirty" companies may be turned away even if they hold out the promise of substantial numbers of jobs.

Yesterday's package - which includes action to end the release of untreated sewage into rivers, lakes and seas and a ban on smoking coal in Dublin from October - comes amid a rising tide of popular environmental concern in Ireland.

Sulphurous smog in Dublin and chemical pollution in Cork harbour have proved an embarrassing backdrop for Mr Charles Haughey, the Irish Prime Minister, in his capacity as president of the European Community for the first six months of this year. His much-hyped "green presidency" ambitions have been ironically set against the environmental threat in Ireland's own back yard.

UK and US hope to heal rift on refugees

By Robert Mauthner in London and Michael Murray in Hong Kong

IN AN unaccustomed atmosphere of mutual reconciliation between the US and Britain, Mr Douglas Hurd, the British Foreign Secretary, will make another attempt next week to persuade the US to drop its opposition to the mandatory repatriation of Vietnamese boat people.

Talks in Washington on Monday between Mr Hurd and Mr James Baker, his American opposite number, were originally expected to be devoted mainly to the events in East-

ern Europe and their implications for the western alliance and relations between the European Community and the US.

However, the breakdown in Geneva last Wednesday of an international meeting on Vietnamese migrants, for which the US has been publicly blamed by British officials, will now clearly figure prominently on the agenda of Mr Hurd's talks in the US.

Rarely have British officials been so outspoken in their criticism of the US, which,

until the last moment, appeared to be ready to subscribe to a compromise under which the forcible repatriation of boat-people would have been suspended for six months, instead of the one-year moratorium Washington was seeking.

British officials stressed that only the US and Vietnam stood out against the consensus in Geneva, while all other participants agreed that mandatory repatriation of boat-people found not to be genuine refugees should begin on July

1 this year with full international monitoring.

Fearing another big influx of boat-people into Hong Kong in March, when the weather in the South China Sea improves, Britain is desperate to reach agreement with the US on a policy which will reduce what is rapidly becoming an intolerable burden on the colony's scarce land resources. At the moment, some 57,000 boat-people are housed in primitive detention centres and refugee camps, some of them on islands.

Bush remains committed to the East

Peter Riddell on the president's determination not to isolate China

WE ARE a Pacific power. China is a billion-some people. We've got enormous differences with their leadership on what happened over there. But in regional areas there, we've got to work with them. Cambodia is a good example. Japan to some degree is a good example."

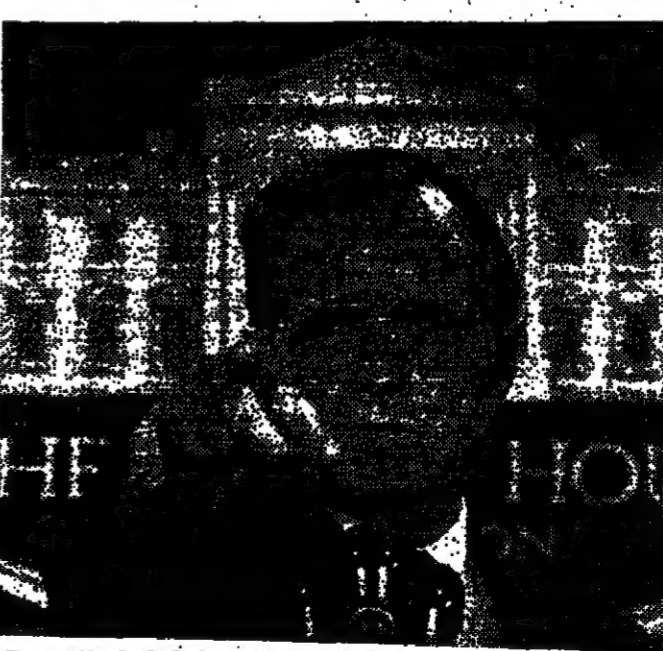
So said President George Bush on Thursday just before the Senate narrowly sustained his veto on legislation allowing Chinese students to stay in the US.

For all the understandable US preoccupation with the Soviet Union, Europe and Latin America, the Bush administration is firmly committed to Asia. This applies not only in relation to specific problems such as Cambodia and the Philippines but also, more generally, in supporting closer economic and political co-operation among countries of East Asia. Even 15 years after the end of the Vietnam War, there are still sizeable US forces in the Philippines, South Korea and Japan.

As with the US view of Europe, the central theme is partnership, not dominance. Mr Baker has actively backed Australia's Pacific Rim Initiative, covering economic, environmental and cultural matters. This is partly to sustain newly democratic countries but also to develop a more constructive relationship with Japan. There is too a desire, especially in the State Department, to get away from the bilateral trade disputes which have plagued US relations with Japan, South Korea and Taiwan.

The US also has a clear national interest in a stable East Asia, since it regards the region as potentially its fastest growing export market.

China fits uneasily into these ideas at present following the Tiananmen Square massacre last June - and this



George Bush: feels he understands China and its leaders

connection also prevents the early involvement of Hong Kong and Taiwan.

But Mr Bush is determined that China should not be isolated, should not revert to what is known as the "Middle Kingdom" syndrome.

Some critics have seen this as an attempt to play the China card in relation to the Soviet Union. But this charge is misleading, and reflects exaggerated suspicions of the current influence in Washington of Mr Henry Kissinger, the original player of that card in negotiating President Nixon's opening with China nearly 20 years ago.

Mr Bush's views are more personal in origin. After his period as US envoy in Peking in the mid-1970s, he feels he understands China and its leaders. He and Deng Xiaoping appeared to greet each other as old friends when they met in Peking last February. On

Thursday, Mr Bush explained away the much criticised public toasting in Peking of the Chinese leadership by Mr Brent Scowcroft, his national security adviser, last December, saying: "I don't know of anybody that's been there that doesn't engage in that activity."

To some extent Mr Bush shares America's century-old romanticism about its mission in China, matching in part the earlier British view of India.

He believes that the right way to influence Chinese leaders is privately, not via public confrontation which would antagonise them. That was the purpose behind the two visits to Peking in July and December, of Mr Scowcroft and Mr Lawrence Eagleburger, the deputy secretary of state.

Mr Bush argues that by keeping open communications and easing trade sanctions he can, in the words of one

adviser, "shorten the time required for China to work through its crisis". The administration already detects some modest, positive results which, it says, might have been jeopardised if Mr Bush's veto of the legislation had been overridden by Congress. The hope now is that there will be a further easing of the repressive measures.

The president's advisers argue that isolating China would threaten not only the broader stability of Asia but also other specific US objectives in the region, notably at present a political settlement in Cambodia.

This "realism" has been seen by many in the US as betraying American ideals of freedom and democracy, "kowtowing" to those who ordered the Tiananmen Square massacre.

Indeed, even though Mr Bush snatched an important political victory on Thursday, it was only because the vote was turned into one of loyalty to him. Many Republican senators retained their doubts, arguing that he had been too sensitive to the existing, discredited leadership in Peking. He won the support of only 62 members of Congress in both houses, with 452 against.

Salinas to seek investment from Europe

By Richard Johns in Mexico City

TRADE and investment will be the dominating themes of the eight-day tour of West Europe by President Carlos Salinas de Gortari of Mexico which began with his arrival yesterday in Portugal, his first stop before coming to the UK this evening.

A key concern throughout his trip will be the effect on flows of trade and investment resulting from the economic integration of the European Community after 1992. But he will also express his anxiety over the possibility of EC attention being diverted away from opportunities in Mexico by prospects being opened up in Eastern Europe.

His itinerary also includes West Germany, Belgium and the European Commission, and Switzerland, where he will address the World Economic Forum.

In Geneva on February 1 Mr Salinas is expected to air Mexico's grievances about import barriers to Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, and stress his government's commitment to legislation which will bring the country's scant respect for intellectual property rights into line with the practice of the industrialised world.

Mr Salinas is determined to

hammer home the message that "Mexico offers a strategic opportunity to Europe - above all for Europe in 1992".

He said he would also be stressing Mexico's politically important internal domestic market and its geographic location "right next to the biggest market in the world".

Mexico wants to upgrade its relations with the EC, replacing the existing agreement signed in 1976. After recording a surplus in its trade balance with the EC from 1982 to 1987 Mexico suffered a deficit in 1988, when the value of its exports fell by 18 per cent, largely because of the low

price of oil.

West Germany - third largest investor in Mexico after the US and the UK - is the second big preoccupation following the opening up of Eastern Europe.

Mexican exports to West Germany in the first half of 1989 rose by 35 per cent, with 42.6 per cent of them accounted for by auto parts and only 4 per cent by oil.

Mexican officials say Mr Salinas will also be happy to renew the acquaintanceship made with Mrs Margaret Thatcher last July in Paris, where they are said to have struck up a good rapport.

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OVERSEAS NEWS

Norway to set up oil-derived investment fund

By Karen Fosell in Oslo

NORWAY, Western Europe's second largest crude oil producer after the United Kingdom, is to establish an investment fund with revenues derived from its oil industry, the Finance Ministry has confirmed.

The purpose of the fund is to provide a secure source of capital on which the Government can rely when low oil prices threaten Norway's oil-dependent economy.

The fund will resemble the Kuwaiti Investment Office in the sense that it will have the power to invest in foreign bonds which will be administered by the central bank. However, it will not be able to invest in property or companies.

Norway's economy has been through difficult times since 1986, when world crude oil prices plunged to below \$10 a barrel, their lowest level since the 1970s. Though it improved last year, primarily because of higher oil prices, unemployment has risen to 4.8 per cent, its highest level since the 1930s.

The proposal to establish the petroleum fund marks a change in the central government's budgeting system, in that appropriation resolutions by the Storting (Norway's parliament) will be necessary, thereby requiring more attention to be given to the long-term effect of oil earnings.

The fund will be established in the central bank, which will invest it abroad.

Allocation of capital to the fund for 1991 will be made clear in the Revised National Budget in May.

For capital from the fund to be allocated to the national budget, resolutions by the Storting will have to be adopted.

The establishment of the fund comes seven years after it was first suggested by Mr Hermod Skjeltved, the governor of the central bank.

In 1983, Norway's petroleum income increased by Nkr10bn (9925m) to Nkr13.1bn, together with the export value of oil and gas, which rose sharply to Nkr75.5bn from Nkr50.5bn in 1982, according to new figures from the finance ministry.

The real beneficiaries of Sweden's tax revolution will be single parents with two children, who can expect a 7 per cent rise in their incomes, while couples with two children will gain 3 per cent and single people only 1.7 per cent.

The Government also calculates that blue-collar workers will have a 2.7 per cent increase in their disposable incomes, against 2 per cent for better-off white-collar employees.

The final tax plan is the result of a compromise between the Social Democrats and the opposition Liberal Party. "This is one of the biggest and most important reforms in the post-war period," Mr Carlsson said yesterday.

But it estimates the SKR70bn lost to the Government will be recovered through the new range of taxes with SKR11bn coming from higher taxes on capital and SKR14bn from indirect taxes on services.

THE French jobless rate fell slightly in December, continuing a two-year decline, but still hovering above the unemployment rates in Britain, West Germany and the US, William Dawkins reports from Paris.

Unemployment in France was 9.4 per cent in December, down from 9.8 per cent in the same month a year earlier, the Labour Ministry said. This compares with the most recent peak of 10.6 per cent in March 1987.

The decline was "inadequate", warned Mr Michel Rocard, the Prime Minister.

Two years of more than 3.5 per cent economic growth have allowed the creation of nearly 600,000 jobs. "But... today unemployment is still high and growth is fragile, threatened by imbalances in the world economy," he told a symposium on local development.

The jobs total was just over 2.9 million, seasonally adjusted, a 0.6 per cent fall from November and 2.1 per cent down on the previous year. That represented a year-on-year decline of 60,000 jobs, against a 30,800 fall in 1988.

Commission declares EC footballers offside

By David Buchan in Brussels

THE referees of Treaty of Rome rules, otherwise the European Commission, has declared the Union of European Football Associations (Uefa) offside again for letting its clubs discriminate against players on grounds of nationality.

Mr Martin Bangemann, chief referee of the internal market, has sent the Brussels equivalent of a yellow card to Uefa ahead of its meeting in Stockholm next week, complaining it is moving too slowly to open professional clubs to players of all Community nationalities.

There has been some movement inside Uefa, with most of the national football federations of EC member states recently agreeing to raise the maximum number of foreign players in first or second division teams from two to three, possibly to five. But two important national federations, Spain and Italy, have EC officials say, so far blocked this move, and so the Commission has decided to step up pressure.

The football war has dragged into extra time. The European Court of Justice ruled in 1976 that the limits on foreign players, operated by all EC federations except the smaller ones of Scotland, Wales, northern and southern Ireland, and Luxembourg (with no professional footballers), were contrary to EC rules banning discrimination by nationality. Following that ruling, Brussels had Uefa into allowing up to two foreign players in every top division team, in the so far vain hope that Uefa would remove the limit altogether.

The Commission, headed by a keen soccer fan - Mr Jacques Delors - is keenly aware that a literal interpretation of EC rules could set thousands of fans against it. But the European Parliament last year urged it to take action against Uefa, and the Commission feels itself exposed to the risk that, in any future European Court action, it could be accused of failing to uphold treaty provisions.

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Yugoslavs sitting on Kosovo powder-keg

Ethnic Albanians see a chance to throw off Serbian rule, Judy Dempsey reports

ETHNIC unrest in Yugoslavia's southern province of Kosovo could lead to open conflict between the people of Serbia and the Albanian-dominated province as well as threatening the stability of the whole Yugoslav federation.

The conflict has been confined so far to mass demonstrations by Albanians in Kosovo seeking free elections and an end to emergency measures imposed in March.

The demonstrations began on Tuesday only hours after break-up in disarray of the congress of the ruling League of Communists of Yugoslavia.

The following day, thousands of ethnic Albanians, who make up 90 per cent of Kosovo's population, took to the streets of the provincial capital Pristina.

The Yugoslav authorities imposed a state of emergency last March after huge street protests by ethnic Albanians against attempts by Mr Slobodan Milosevic, the Serbian party leader, to have greater control over the running of Kosovo, one of two provinces within the Republic of Serbia.

Mr Milosevic spearheaded sweeping changes to the Serbian constitution in 1985 which effectively gave the republic direct control over Kosovo. Since then, the province, so long regarded as the Achilles



heel of Yugoslavia, remains in a state of ferment.

The future status of the province, inside or outside the Yugoslav federation, is the point at issue.

In 1974, the late President Tito carved two autonomous provinces out of Serbia, the largest of the six republics; Kosovo in the south and Vojvodina in the north. The aim was to contain the influence of Serbia in the Yugoslav Federation.

By doing this, Tito created resentment among the Serbs, who, for historical reasons, regard Kosovo as the cradle of their culture. But by granting autonomous status to Kosovo, he encouraged the rise of nationalism and a sense of ethnic Albanians in Kosovo who for years had been ruthlessly repressed by Mr Alexander Rankovic, Tito's former security chief.

By 1981, shortly after Tito's death, there was upheaval in Kosovo as ethnic Albanians demanded that the province be upgraded to a republic, a status which would give them the

constitutional right to secede from the Yugoslav Federation. Few believed however, that the ethnic Albanians would seek any unity with their kinsmen in neighbouring Stalinist Albania. But few would take the risk. In the end, the Federal authorities imposed martial law in Kosovo in 1981 which deepened the sense of grievance among the ethnic Albanians. The conflict has never been far from the surface since then.

The sense of grievance and latent nationalism among the Serbs was fully exploited two years ago by the rise of Mr Milosevic.

He accused the ethnic Albanians of discrimination against the small Serb and Montenegrin minority which had forced them into the leaving the province. Many did so, but for economic reasons. Kosovo has the highest rate of unemployment and is the country's least developed region.

But more than Mr Milosevic tapped latent Serb nationalist feeling, the more his supporters demanded that the province be brought under the direct control of Serbia.

After pushing through changes to the Serbian constitution in late 1988, Serbia regained control over Kosovo, installed a pro-Milosevic communist party leadership in the

province, imprisoned scores of intellectuals and removed hundreds from their jobs.

But it was a Pyrrhic victory. Despite incentives, Serbs are not returning to the province. Any trust which once existed between the ethnic Albanians and the Kosovar Serbs is eroded. Mr Milosevic's heavy-handed policies are now seen as a failure. What was once a purely Serbia-Kosovo conflict is now a Yugoslav problem.

As free elections loom, the ethnic Albanians see it as a chance to shake off Serbian rule. Mr Milosevic will use every opportunity to block such elections. But his support is dwindling. Serbia's policies in Kosovo have led to instability as well as criticism from within Yugoslavia and outside.

Mr Ante Markovic, the Prime Minister, may well have to act fast in order to contain unrest and bloodshed. The pro-Serbian leadership in the province may be forced to resign and new leaders, more sympathetic to the ethnic Albanians may be promoted.

Unless such changes are swiftly implemented, the Kosovo problem could play a major, destabilising role if and when their fellow-Albanians across the border awake.

Arms industries 'should link'

By David White, Defence Correspondent

GOVERNMENTS AND arms industries of North America, Western Europe and East Asia should join forces in the purchasing, design and manufacture of weapons, to meet the challenges of lower national defence budgets.

Mr Taft was addressing a strategic studies conference in Paris.

No country, including the US, would be able to afford a "full-scope" defence industry, he went on, and joint initiatives should not be restricted to groups such as the European Community or the Independent European Programme Group (formed by 13 European NATO members).

Mr Taft forecast further "dramatic restructuring" in the arms industry.

"The number of defence firms is already declining, and it should," he said.

Teaming arrangements, joint ventures and shareholding

links among defence manufacturers were already creating a network of international companies.

Market-oriented armaments co-operation had not happened in the past because nations had "persisted in the delusion that they could go it alone".

Remaining barriers to co-operation had to be removed, he argued.

"Buy-American, Buy-Japanese and Buy-European legislation or practices can no longer be afforded or supported on national defence grounds."

Few, if any, big conventional weapons would be built without multinational co-operation, he predicted.

This would bring military benefits in providing for common equipment, logistics and tactical doctrines.

THE Polish Communist Party's last congress convenes in Warsaw today, in what promises to be a heated meeting which could produce a split into two groups hours after the opening.

The scenario for the three-day meeting foresees a debate winding up the party today, followed by the founding by the 1,600 delegates of a new party with a Social Democratic programme proposed by the present leader, Mr Mieczyslaw Rakowski.

But some 200 of the congress delegates from the 8th of July movement on the reformist right, accompanied by the main part of the party's 189 parliamentary deputies who are also delegates, are considering leaving the Congress

Polish party meeting could produce split

By Christopher Bobinski in Warsaw

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Hall when the party has been wound up and forming their own socialist party.

Students from the pro-Solidarity NZS movement plan to demonstrate and could disrupt the meeting. The party still has a membership of 1.8m, but only 1m took part in electing delegates. Whatever party or combination emerges, the number of members all told is expected to be some 200,000.

The party, which still formally has four ministers in the Government, is in a state of crisis, with its support in the country lower than ever. In December, a mere 9 per cent of the population said it had confidence in the party, while 73 per cent declared confidence in Solidarity.

Minister quits after strike in Romania

A ROMANIAN Government minister resigned yesterday as the ruling National Salvation Front tried to distance itself from the country's communist past and defended its decision to field candidates in forthcoming polls, Victor Mallet reports from Bucharest.

Romania's official news agency said Mr Nicolae Niculescu, Foreign Trade Minister, had quit for health reasons, but diplomats said he had apparently been forced out after a strike at his ministry.

Mr Ion Iliescu, interim president, has condemned the opposition parties for the way they urged the Front to resign. He said in a TV speech: "The Front is the only - and fragile - structure carrying the burden. The collapse of this structure would throw the country back into chaos."

Anti-Front demonstrators have been gathering in Bucharest and Timisoara, but Mr Iliescu defended his record and the Front.

CORRECTION

In yesterday's story on "The collapse of communist power" we wrongly identified a picture of Mr Marian Calta, Prime Minister of Czechoslovakia, as "of Romania". Our apologies for the error.

Mandela bemuses business leaders

Confusion exists over his nationalisation remarks, writes Jim Jones

SOUTH Africa's white business leaders appeared bemused yesterday by Mr Nelson Mandela's reaffirmation of the African National Congress's commitment to nationalising the country's mines, banks and monopoly businesses.

The statement, in the handwriting of the jailed ANC leader, was released late on Thursday by Mr "Terror" Lekota, publicity secretary of the United Democratic Front, to "neutralise innuendoes in the press".

Recently, Mr Richard Maponya, a Soweto businessman, came away from a meeting with Mr Mandela saying the ANC leader no longer favoured nationalisation as a means to black empowerment.

He is contradicted in Mr Mandela's one-paragraph statement, dated January 15, which says: "The nationalisation of the mines, banks and monopoly industries is the policy of the ANC, and a change or modification of our views in this regard is inconceivable. In our situation, state control of cer-

tain sectors of the economy is unavoidable".

A second Mandela document, also released this week, is a statement prepared by Mr Mandela for his meeting with the former South African president, Mr P.W. Botha, last July. Largely welcomed by business, it concentrates on ANC negotiating strategy, and invites government to open talks on terms now close to fulfilment.

Although there was uncertainty about how to respond to Mr Mandela's comments on the need for nationalisation, so far they have had little effect on the Johannesburg Stock Exchange. The market is being lifted to new highs by foreign investors scrambling to buy South African gold shares, and local investors who believe Mr Mandela's imminent release will herald a time of peace.

Top businessmen were careful yesterday not to criticise Mr Mandela directly, while making clear they felt his views on nationalisation were outmoded. "It would be a pity if his economic convictions

have been stilted by years in isolation," Dr Conrad Strauss, chief executive of Standard Bank, said.

Mr Ken Maxwell, president of the Chamber of Mines, echoed Dr Strauss, adding Mr Mandela's latest views contradicted "reassuring noises made by ANC leaders in recent discussions with various (business) people and delegations."

Mr Meyer Kahn, managing director of South African Breweries, said: "The concept of nationalisation is ill-informed and out of date."

Most of South Africa's private-sector mines and industries are controlled by six large mining, industrial or insurance groups whose boards are predominantly white. Certain industries, such as brewing, are virtual monopolies protected from competition by the cost of establishing competing operations.


Large parts of the economy are state-owned and in line for privatisation. But many blacks believe the recent privatisation of Iscor, the steel-maker, did

little to help black economic empowerment, simply representing transfer of part of the national wealth to the large corporations and white investors.

There was a more positive response to the document prepared by Mr Mandela for the Botha meeting, which calls for talks on a shared future for blacks and whites, but endorses the role of the ANC's military wing, Umkhonto we Sizwe.

"While South Africa must accept the plain fact that the ANC will not suspend, to say nothing of abandoning, the armed struggle until the government shows its willingness to surrender monopoly of political power and negotiate directly and in good faith with the acknowledged black leaders," writes Mr Mandela.

Frederia and the ANC should "meet urgently to negotiate an effective political settlement... in which racial discrimination and prejudice, coercion and confrontation, will be forgotten."



PROFESSIONAL INVESTMENT MANAGEMENT FOR CHARITIES

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UK NEWS

Fierce gales leave £1bn trail of death and destruction

Richard Evans reports on the clear-up in the wake of the storm but finds less havoc than in the 1987 hurricane

THE BIG clear-up was well under way throughout southern Britain yesterday, after Thursday's ferocious gales left a trail of loss of life, damage, and destruction estimated at £1bn.

Life started to return to normal rapidly in London, although the capital's army of commuters had to struggle to work against the hazards of cancelled trains, and many roads seized up with traffic because workers decided to drive in.

Other areas were less fortunate, particularly the south-west, where many thousands of households face the prospect of being without electricity for several days as engineers struggle to repair damaged power lines. In all, about 300,000 households were still without power across southern England last night.

Local authorities throughout the country held emergency meetings to check the scale of the damage and the volume of resources needed to clear it up. Priority was being given to checking property, particularly schools, hospitals and old people's homes, for structural damage, and clearing up trees that still block many roads.

Restrictions on motorways were all lifted during the day, but dozens of minor roads in the south-east, south-west, Midlands and Wales remained blocked by fallen trees.

Although the overall damage to trees could not compare with the havoc of 1987, when 15m were uprooted, it was substantial. Between 80 and 100 important trees were destroyed at the Royal Botanic Gardens at Kew, West London, and the gardens have been closed to the public until the middle of next week.

However, the last surviving oak tree at Sevenoaks, Kent - the others were felled by the 1987 storm - withstood Thursday's gale.

Mr David Hunt, Local Government Minister, told the Commons that financial help to councils under the Bellwin scheme, under which the Government pays 75 per cent of the cost of repairs above a threshold equivalent to a penny rate, should enable local authorities to respond swiftly and effectively.

Mr Hunt said the Government would consider further help where councils faced capital spending on repairs not covered by insurance, and the assessment needs of the West

Country would include the effects of the storms before Christmas.

The statement was broadly welcomed by councils, but the Association of London Authorities said the storm damage would cost poll tax payers an extra £4 each before any Government aid would be forthcoming.

Even then, the Exchequer would be paying only 75 per cent of the remaining bills.

The emergency services, which on Thursday faced their busiest period since the devastating October 1987 gales, remained almost fully stretched. London's firefighters responded to nearly 2,000 calls in the 24 hours to midnight, more than five times their normal workload.

British Rail made good progress in getting London's mainline and suburban stations back into operation, but there were still some difficulties at King's Cross, St Pancras and Waterloo, where the glazed roof had to be inspected.

Ironically, the biggest headache in the capital was caused by rail commuters switching to road because of fears that BR would not be able to run an effective service.

Underground passengers

fared much better than BR commuters, although there was some disruption of services. The electric third rail was much less vulnerable to storm damage than some of BR's overhead lines.

A London Underground official said: "We learned an awful

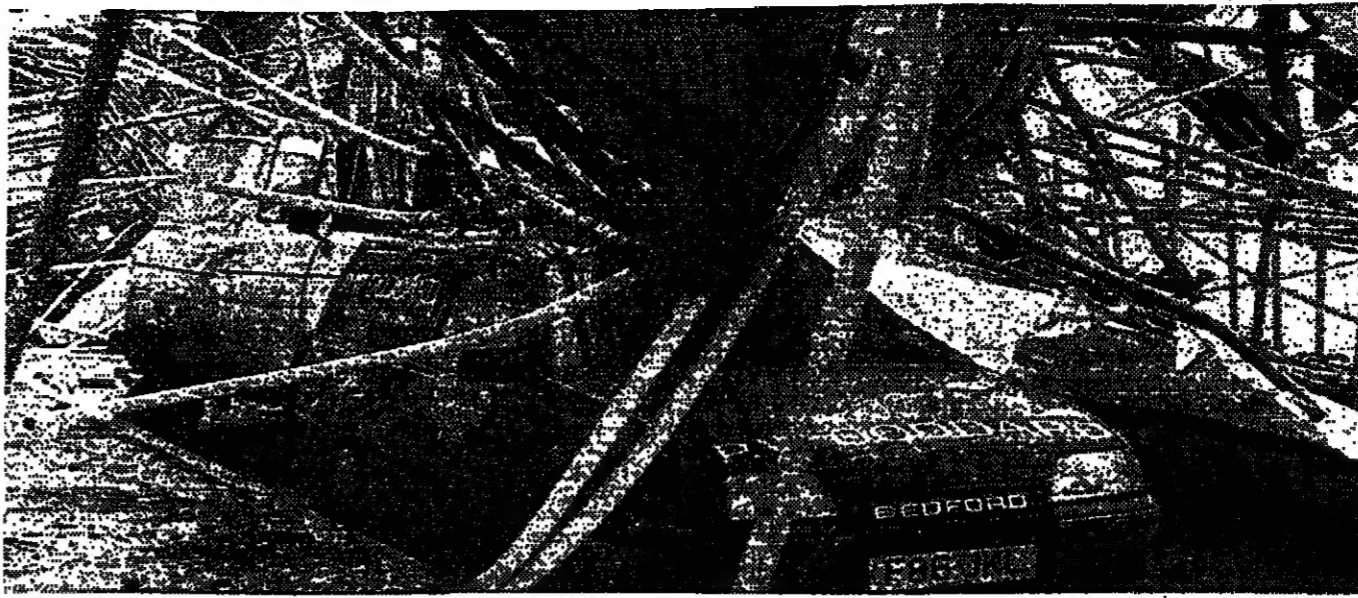
lot of lessons from the 1987 hurricane." The Automobile Association said parts of central London were at a complete standstill in the morning rush, partly because of the volume of traffic and partly because of roads closed while potentially dangerous structures were inspected.

Both police and the AA criticised drivers of high-sided vehicles for continuing their journeys on motorways and across bridges on Thursday even though warnings of gales had been given.

Meteorological Office fore-

casters were quick to deny any suggestion that they had failed to give warning of the storm, which was forecast as long ago as last Sunday.

Even so, the sheer force of the gale, with gusts of over 100 miles an hour, seems to have surpassed expectations.



The City of London did not escape damage from Thursday's storm as this van crushed by scaffolding shows

Builders quick off the mark for ridge tiles Insurers act to limit damage

By Andrew Taylor, Construction Correspondent

STORM FORCE winds were still buffeting southern England when a queue of lorries started to form on Thursday afternoon outside the Redland roof tile plant at Moorhouse on the Kent-Surrey border.

Builders' merchants and roofing contractors, remembering the serious tile shortages after the 1987 hurricane, were determined not to be caught short again. Even so, many of them were out of ridge tiles yesterday as home owners rushed to repair the damage.

Extra tiles are on their way to southern and eastern England, the worst hit areas. Redland, the country's biggest

roof tile maker, said it was bringing fresh stocks from other parts of the country and the worst of the shortages should be over by end of the weekend.

Mr Jim Thripp, commercial director for Redland Roof Tiles said: "During October, November and December in 1987, after the hurricane, we sold 2.4m ridge tiles. At the moment we have stock of 2.3m ridge tiles nationally."

Ridge tiles are those most likely to be damaged in high winds and in 1987, deliveries took as long as 14 weeks.

"Contractors and building material producers are in a much better position to meet

the emergency than two years ago when house building and residential repair and maintenance work was already running at a high level when the hurricane struck," said Mr Thripp.

High British interest rates hit house building and house improvement work last year. Roof tile sales, which fell by about 10 per cent in 1988, are forecast to fall a further 5 per cent this year.

"The storm will increase sales but this will not be sufficient to reverse an overall decline," said Mr Thripp.

Mr Ronnie Hill, a partner of Hill Bros, a Brighton roofing repair specialist, said the group

had received more 500 calls yesterday compared with 3,000 calls after the 1987 storm.

"Business because of the downturn in the housing market has been slack so we should be able to get round to most repairs fairly quickly," said Mr Hill.

Mr Ray Brunson, of an asphaltic, one of the country's largest specialist roofing companies, said the group placed an order on Thursday for 75 tonnes of tiles for its Brighton and Eastbourne branches. "We learned our lessons after 1987 and were much better organised this time. Even so, we ran out of some kinds of ridge tiles but are expecting more deliveries over the weekend."

By Eric Short

THE IMMEDIATE concern of insurance companies yesterday was not to count the cost of paying out claims, but to ensure that householders take measures to limit further damage to their houses and possessions, and to reassure them that claims will be paid promptly.

None the less, companies have been making some estimates about the total cost, and comparisons with the October 1987 hurricane are inevitable. Those storms cost British insurers around £1.3bn, of which only £25m fell to motor insurance claims.

Mr Tony Baker, public affairs manager at the Associa-

tion of British Insurers, said damage this time was spread over a far wider area. First indications were that the number of claims would be about the same, but that the average amount would be much lower.

Mr Bill Sclaire, director of Sun Alliance UK, one of Britain's largest home insurers, said most claims so far related to tiles and slates blown off roofs.

In spite of the pictures on television, insurers consider that the number of claims arising from falling trees will be lower than in October 1987. Trees were in leaf then, and put up more resistance to the wind.

Even so, the eventual bill might show insurance companies paying out several hundred million pounds on household claims.

This week's storms occurred during the day, whereas the October 1987 hurricane struck at night, so many more cars, lorries and other motor vehicles were damaged, and many more motor insurance claims are expected this time.

Branch offices in areas most affected by the storms will be manned at the weekend and extra staff will be moved in from head offices and other branches to cope with the expected flood of inquiries and claims.

Eurotunnel compiles shortlist of project contract managers

By Andrew Taylor, Construction Correspondent

A SHORTLIST of possible candidates to take over the job of managing the Channel tunnel contract has been compiled by Eurotunnel, which has been involved in a running row with contractors over delays and the mounting cost of the works.

The job of managing the contract is currently done by Mr Tony Ridley, former chairman of London Underground. Mr Ridley, who last year joined Eurotunnel as a joint managing director, has had an uneasy relationship with Mr Alastair Morton, Eurotunnel's outspoken joint chairman.

Contractors who have strongly criticised Mr Morton's combative management style

say they have developed a good working relationship with Mr Ridley and would be sorry to have that relationship ended.

It is not clear whether Eurotunnel intends to replace Mr Ridley or to appoint a new chief executive above him to manage day-to-day dealing with the contractors. A chief executive might also act as a buffer between Mr Morton and the five British and five French construction companies building the tunnel.

The Bank of England, which is keen to improve relations, would support such an appointment, provided it had the support of Eurotunnel and the banks that are providing

the bulk of the finance. It would not want to see Mr Morton's authority weakened in his negotiations with the contractors over rising costs.

Construction companies are critical of the way Mr Morton has handled negotiations over the raising of a further £1.5bn to cover extra costs.

A letter from the British contractors to Mr Morton sent to the bankers says: "We would not have signed the agreement were it not clear that far-reaching senior management changes in Eurotunnel were irrevocably committed."

It accused Mr Morton of making derogatory remarks about the UK contractors.

MPs back consumer refund bill

By John Mason

A BILL to introduce a new consumer guarantee, entitling buyers to an automatic refund or replacement, passed its first Commons stages yesterday in spite of Government opposition.

Mr Eric Forth, a junior Trade and Industry Minister, said the guarantee would place too heavy a burden on manufacturers and probably lead to price increases.

However, the Consumer Guarantees Bill, introduced by Mr Martin Jones, Labour MP for Clywd South-West, received cross-party support and was given an unopposed second reading. Nevertheless, it is expected to face continued stiff government resistance during its line-by-line committee stage scrutiny.

The bill proposes that consumers can demand a refund or replacement if a product is in repair for more than 21 days in any year covered by the guarantee. The guarantee would be optional, but manufacturers of cars and the more expensive household appliances would be obliged to state whether it was offered.

A private member's bill to reduce the alcohol content of "low alcohol" drinks from 1.2 to 0.5 per cent was also given a second reading.

Financial group operated offshore fund

By Richard Waters

INVESTORS claiming to have put £500,000 into an unauthorised offshore fund operated by Garston Amburst Associates had emerged by yesterday evening. The total amount invested is likely to be around £2m.

GAA, a tied agent of National Financial Management Corporation, a life company within the TSB Group, was not authorised to take client money under the Financial Services Act. This week it became the subject of a Serious Fraud Office investigation, as well as a High Court writ compelling it to order a petition from the Securities and Investments Board.

The fate of GAA clients has exposed an apparent weakness in the regime set up under the Financial Services Act nearly

two years ago. Companies are left to monitor their own agents, or "appointed representatives".

The quality of monitoring by NFM, which has 98 agents employing 700 salesmen, has been the subject of concern on several occasions to the Life Assurance and Unit Trust Regulatory Association. Each case is believed to have stopped short of disciplinary action, however.

Lauro said: "The control of appointed representatives is something which has come up as a concern. Principals have got to be a little more responsible for these people."

Any losses by investors as a result of the actions of representatives fall outside the scope of the compensation scheme set up under the Finan-

cial Services Act. Claims against insurance companies (which are covered by the compensation provisions of the Policyholders Protection Act) are not covered if the agent was acting outside the scope of its agreement with the insurance company, as in the GAA case.

NFM said it had relied on audits of GAA carried out by the firm's auditors, Sleaf Davidson, a two-partner firm of chartered accountants based in Northwood, Middlesex.

As part of its latest audit, produced last autumn, Sleaf Davidson certified to NFM that the company did not maintain any client accounts itself.

Mr Steven Davidson, a partner of the auditing firm, said yesterday he would not answer questions about his involve-

ment with GAA and its principal director, Mr Diccon Wright, unless they were put to him in writing next week.

Correction

We reported yesterday that National Financial Management Corporation had been prohibited from taking on any new business through its appointed representatives. In fact, it has been prohibited from accepting business from only one of them, the Garston Amburst Associates group. It has also been prohibited from taking on any further representatives, and has been instructed to carry out audits and compliance inspection visits of all existing representatives.

Computer chief on bail

MR FRANK PETERS, former managing director and chief executive of the Parrot Corporation - a South Wales computer company that collapsed with debts of more than £11m - was yesterday remanded on bail by Gwent magistrates until February 12.

Mr Peters faces six charges of fraud and deception involving more than £11m, and was extradited from the US this week and formally charged on Thursday night. Mr Peters, a lawyer from Chicago, was ordered to surrender his passport until his next court appearance.

£23m fraud charge

A MAN appeared at Aberdeen Sheriff Court yesterday charged with attempting to obtain £23,331,998 by fraud from Britain and the bank of Scotland while acting with Alison Anders, Roy Allen and others.

The address of Mr Hajdin Sejdija, 38, was given as PO Box 765, Abu Dhabi, in the United Arab Emirates.

Gas survey attacked

MR JAMES McKinnon, director general of the Office of Gas Supply, yesterday dismissed a huge British Gas survey of its customers as only scratching the surface of the service issues on which the company should be concentrating.

He added that "standards of service" proposals which British Gas has recently submitted to Ofgas were "disappointing."

Coke plant to shut

BRITISH STEEL is closing its coke plant at Orgreave, near Sheffield, with the loss of 289 jobs.

Treasury bills increased

By Rachel Johnson

THE Bank of England yesterday announced that it would increase its tender of Treasury bills on Friday February 2 to £500m of 13-week bills and £200m of 26-week bills in order to offset excess liquidity in the money market.

The increased tender is to counteract the downward movement of money market rates which follows the seasonal pattern of Exchequer flows, including corporate tax

payments, the Bank said. The higher levels are hoped to ensure that there are net outflows to the market in the late months of the financial year and early in the next.

Last November the weekly Treasury bill tender was lowered in anticipation of a tightening of liquidity as a result of heavy corporation tax payments to the Exchequer, which are concentrated in the winter months.

Greenpeace claims win on sea ash dump

John Hunt looks at the clash of environmental interests offshore

AN ARMADA of 22 fishing boats gathered off Blyth harbour, Northumberland, yesterday in an effort to prevent the vessel MVA from dumping power station ash in the North Sea for the Central Electricity Generating Board.

Meanwhile, nautical campaigners from Greenpeace, the environmental pressure group, returned to base at Amsterdam after conducting a similar campaign off the Northumbrian coast last week. Eight of them had been arrested and bound over to keep the peace after boarding the MVA.

They did not manage to stop the dumping, but Mr Paul Horsman, Greenpeace toxics campaigner, says they achieved their main objective - to show that the UK is the only signatory of the 1987 second North Sea Conference that continues to dump ash, liquid industrial waste, chemical waste and sewage sludge in the sea.

Greenpeace aims to put Mr Chris Patten, the Environment Secretary, in the dock when he attends the third North Sea Conference in the Hague on

March 7-8. The charge is that Britain is the "dirty man of Europe."

The other signatories are already protesting over Britain's attitude. Ms Johanna Malt-Weggen, the Netherlands Water and Transport Minister, will meet Mr Patten in London next month to protest at continued British dumping. The Oslo Commission working group on dumping will also meet to discuss protests from Norway, Sweden and Denmark. The commission implements the North Sea Conference agreement.

The second conference was hosted by Britain in 1987 after complaints that the North Sea had become "the midden of Europe." A scientific working group reported that there had been a build-up of pollutants in the sea, and environmentalists claim that it has caused fish diseases and many seal deaths.

The UK, with Belgium, Denmark, France, the Netherlands, Norway, Sweden and West Germany, agreed that dumping of industrial waste in the North Sea should cease from January this year "unless there are no practical alternatives on land

and it can be shown that the materials pose no risk to the marine environment."

The UK claims that its industrial dumping meets those criteria and that it is keeping to the agreement. The CEBG says the ash is not toxic and is confined to a very small area. Greenpeace says it stifles seabed life and creates a "marine desert."

The Ministry of Agriculture is responsible for licensing dumping on 14 designated sites in the North Sea. It says nine licences come up for renewal this year, most of them for liquid waste.

The Netherlands, Denmark, Sweden, West Germany and Norway have objected to three of the annual licences - those held by Fisons for up to 6,000 tonnes of chemical waste, Sterling Organics for 42,000 tonnes, and Orsynetics for 3,000 tonnes a year. The ministry says it will not renew Fisons' licence as it believes alternative disposal on land is possible.

Mr David Curry, the junior Agriculture Minister, says Britain is making great progress in reducing this form of dumping. Two years ago there

were 20 licences for industrial dumping and 10 years ago there were 100.

"The speed at which we have moved away from dumping is very rapid indeed," he says. "We intend to phase it out the only difference between us and Greenpeace is time-scale. Our objectives are the same."

ICI accounts for more than half the total volume of liquid waste dumped under licence in the North Sea. It has licences to dump 165,000 tonnes of waste produced by the manufacture of methyl methacrylate - the material used for the Perspex covering of car rear lights - from a plant at Billingham, Teesside.

A further issue that might land Britain in trouble at the Hague next month is the dumping of sewage sludge in the North Sea. The UK and Ireland are the only European countries still doing this.

The 1987 agreement permits the UK to continue dumping, provided it reduces the level of contaminants, but the North Sea countries are likely to call for a complete ban.

The UK argues that the sludge, which has a high water content, does not cause pollution, but Greenpeace says it disperses over a wide area and has been linked with increased levels of mercury in fish.

Incineration of toxic materials at sea is due to be phased out by 1994 under agreements of the North Sea Conference and the International Maritime Organisation, a UN agency.

Britain has been incinerating 5,000 tonnes a year but Mr Curry says "we will be well out of it by 1994."

Rivers are another significant source of North Sea pollution. The Government says British rivers carry less toxic and waste matter to the North Sea than other North European countries.

The UK contributes 20 per cent of total river pollutants in North Sea compared with 40-50 per cent from the Rhine and Meuse alone, according to the Government.

Greenpeace is working with MEPs to pass a motion in the environment committee of the European Parliament calling on Britain to stop dumping industrial waste into the North Sea. They hope the matter will be fully debated there.

UK NEWS

Trade figures bring relief at Treasury

By Peter Norman, Economics Correspondent

BETTER-THAN-expected British trade figures for December released yesterday produced a palpable sense of relief in the Treasury.

After five consecutive months of decline, the current-account balance of payments deficit, officials sense that the foreign trade trend is at last moving clearly in the Government's favour.

The estimated current-account deficit of £20.3bn for last year sets a new annual record and slightly exceeds the £20bn deficit forecast for 1989 in the Government's November Autumn Statement. Yet the 35 per cent decline in the current-account deficit between the third and fourth quarters points to a turnaround in Britain's trade performance.

Britain's volume exports - excluding oil and erratic items such as ships, North Sea installations, aircraft, precious stones and silver - increased by 4 per cent between the third and fourth quarters, while import volumes on the same basis dropped by 4 per cent in the same period.

Taking a year-on-year comparison, British volume exports, minus erratics, rose by 15 per cent in the final quarter compared with a 15 per cent increase in imports.

As recently as the third quarter of last year, imports were growing faster than exports. In that period, volume exports minus erratics grew by 7.5 per cent compared with the third quarter of 1988, while imports grew by 9.5 per cent.

Yesterday's figures helped to explain the optimism of Mr John Major, the Chancellor. During Tuesday's Commons debate on the Autumn Statement he said the trade deficit was showing signs of improvement, "with our exports performing very well, but import growth moderating".

An analysis of the latest quarterly figures by commodity shows an almost across-the-board increase in export volumes.

Only intermediate goods exports dropped compared with the third quarter (by 2 per cent), while volume exports of capital goods and chemicals rose by 5 per cent. Fuel exports rose by 11 per cent and car exports by 25 per cent compared with the July to September period.

On an annual basis, all export categories rose, with volume exports of manufactures up 16 per cent compared with the fourth quarter of 1988. Capital goods exports were up 24 per cent and consumer goods one fifth higher.

CURRENT ACCOUNT (£bn)				
	Current Balance	Visible Trade Balance	Exports	Imports
1987	-3.8	-10.9	70.4	80.4
1988	-14.7	-20.8	80.6	101.4
1989	-20.3	-23.0	82.5	115.5
Qtr 1	-4.8	-9.9	21.5	27.6
Qtr 2	-5.2	-10.1	22.5	29.3
Qtr 3	-6.5	-8.7	23.5	30.2
Qtr 4	-4.2	-4.5	24.5	29.3
Oct	-1.7	-1.8	8.0	9.9
Nov	-1.4	-1.5	8.1	9.6
Dec	-1.1	-1.2	8.6	9.8

Imports for October to December are preliminary. All figures are seasonally adjusted, may not add up due to rounding. Source: CBO

Media plans opening shot to stop reporting ban on Guinness trial

By Raymond Hughes, Law Courts Correspondent

THE FINANCIAL Times and other news organisations will go to Southwark Crown Court on Monday to argue against the imposition of a reporting ban on what is seen as the City trial of the century. It is the Guinness trial, which is due to start on February 5.

The ban will be sought by Mr Ernest Saunders, the dismissed former chairman and chief executive of Guinness - one of seven leading City figures who face criminal charges arising out of the bitterly fought takeover battle between Guinness and Argyll for the Distillers drinks group in 1986.

Mr Saunders' fellow accused are Mr Gerald Ronson, chairman of the Heron Corporation; Mr Anthony Parnes, former City stockbroker; Sir Jack Lyons, the millionaire financier; Mr Roger Seelig, former Morgan Grenfell corporate finance director; Lord Spens, former director of corporate finance at the Henry Ansbacher merchant bank; and Mr David Mayhew, senior corporate finance partner of stockbrokers Cazenove & Co.

The core allegations against them concern an alleged illegal share support operation mounted by Guinness in the final days of its £25bn bid for Distillers, which was ultimately successful.

Estimates of the length of the court proceedings range from six to 12 months. Legal restrictions prohibit the media from saying who will be in the dock at Southwark court on February 5, assuming that pre-trial issues still being dealt with do not cause a further postponement.

The reporting restrictions imposed under section 11 of the 1987 Criminal Justice Act also prevent publication of the details of the indictment listing the charges against the seven accused men.

Before the reporting ban went down, Mr Saunders faced 49 charges, Mr Seelig 20, Mr Parnes 14, Sir Jack Lyons 13, Mr Ronson 11, Lord Spens five, and Mr Mayhew four.

Monday's media move, which has been initiated by the Financial Times, will be the first serious challenge to legal prohibitions on the reporting of public trials.

Lawyers for Mr Saunders will seek an order under section 4(3) of the 1981 Contempt of Court Act, postponing reports of the trial from the outset. The application may be supported by other defendants. Others may oppose it.

For legal reasons, the grounds of that application cannot be published. Section 4(3) provides that the court may, "where it appears to be necessary for avoiding a substantial risk of prejudice to the administration of justice".

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and most vociferously Mr Saunders - have asserted their innocence and their determination to clear their names.

Unlike his fellow defendants, Lord Spens, who, with Mr Saunders and Mr Olivier Roux, who was then Guinness finance director, played a key role in the takeover battle.

A warrant for his arrest on theft charges was issued in March 1988, and moves have been started in the US courts for his extradition to the UK to stand trial.

The case against the seven others was transferred to the crown court at the end of November 1988, under a new procedure enabling cases of serious fraud to pass to the

proceedings, or in any other proceedings pending imminent, order that the publication of any report of the proceedings, or any part of the proceedings, be postponed for such period as the court thinks necessary for that purpose.

Joining the FT will be The Guardian, The Times, The Independent, The Daily Telegraph, Independent Television News, the BBC, Today and Associated Newspapers - publishers of the Daily Mail and Mail on Sunday.

Their counsel, Mr Michael Beloff, QC, will argue that, because of the importance of the trial it is in the public interest that it should be fully reported, and that neither Mr Saunders or any of the other defendants, nor the administration of justice generally, would be prejudiced by such reporting.

Whatever the outcome of Monday's contest, the matter is certain to go on appeal to the Court of Appeal later in the week. Section 158 of the 1988 Criminal Justice Act permits "a person aggrieved" to appeal against a section 4(3) order.

The Guinness prosecution has received an enormous amount of publicity since Mr Saunders' arrest in May 1987. A series of hearings took place at Bow Street magistrates court over the following 18 months as more arrests were made and more charges levelled.

Sir Jack Lyons, Mr Ronson and Mr Seelig were first charged in October 1987; Lord Spens and Mr Parnes in March 1988; and Mr Mayhew in April 1988. All are on bail and all -

Anthony Parnes, a former City stockbroker

Gerald Ronson, chairman of the Heron Corporation

Sir Jack Lyons, the millionaire financier

David Mayhew, senior corporate finance director of Cazenove

Lord Spens, ex-corporate finance director at Henry Ansbacher bank

Roger Seelig, former Morgan Grenfell corporate finance director

Ernest Saunders, former chairman and chief executive of Guinness, who led the company in the Distillers takeover

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Lord Spens, ex-corporate finance director at Henry Ansbacher bank



Roger Seelig, former Morgan Grenfell corporate finance director

Ridley will retain City policing powers

By Ralph Atkins

MR NICHOLAS RIDLEY, the Trade and Industry Secretary, yesterday ruled out devolving any of his own powers of investigation and prosecution to the Securities and Investments Board (SIB).

Mr Ridley said the regulatory system for Britain's investment business needed "a period of stability" so as to show that it functioned effectively.

His comments, in a letter to Mr Kenneth Warren, chairman of the House of Commons select committee on trade and industry, were intended to end

speculation that Mr Ridley was seeking to reduce the regulatory role entrusted to his department.

They also appeared designed to restore confidence in the Government's policing of the securities industry, in a week that has seen the prosecution case collapse in one case of insider dealing and the Court of Appeal overturn a conviction in another.

Ms Marjorie Mowlam, Labour MP for Redcar and the party's speaker on City affairs, said the Government was "walking away" from the ques-

tion. It had encouraged wider share ownership but had failed to provide the regulation necessary to protect new investors.

She said: "The Government is doing its best to divest itself of responsibility in cases of insider dealing."

In his letter, Mr Ridley said the Government had reorganised regulation of the investment business in 1986. The SIB and subsidiary self-regulatory organisations had started to operate the new system in April 1988. More recently, it had been fine-tuned through

the new Companies Act.

Mr Ridley continued: "The prime need now is for a period of stability to show that the system functions efficiently, and in a way which harnesses the experience of practitioners in operating a regulatory system firmly based in statute, with the twin aims of strong investor protection and competitive markets."

He denied he planned to transfer powers to the SIB from the subsidiary self-regulatory organisations which have responsibility for sections of the industry.

His comments followed a meeting this week between Mrs Margaret Thatcher, the Prime Minister, and Conservative members of the European Parliament which failed to resolve fundamental differences over their approach towards European monetary union.

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Tory MPs and MEPs at one on Europe, Hurd says

By Ralph Atkins

MR DOUGLAS HURD, the Foreign Secretary, attempted yesterday to paper over cracks in his party by saying that Conservatives in both Westminster and Strasbourg "share the same essential vision of how Europe should move forward."

His comments followed a meeting this week between Mrs Margaret Thatcher, the Prime Minister, and Conservative members of the European Parliament which failed to resolve fundamental differences over their approach towards European monetary union.

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Ford strikers vote to stay out

By Michael Smith, Labour Correspondent

MORE THAN 500 Ford workers voted overwhelmingly yesterday to continue an unofficial strike which has caused the closure of two plants and more than halved the company's normal UK output of cars.

The vote coincided with a decision by union leaders to urge a return to work. This is in line with a majority decision among all Ford workers this week to accept a pay offer.

The strikers, all maintenance workers at Ford's Halewood plant, stopped work last week in protest against the offer, which they believe will erode their status as skilled workers.

Their action closed the Halewood plant last week and brought 8,000 lay-offs. On Thursday Ford closed its

Southampton Transit factory, which uses parts from Halewood, and laid off another 2,000.

Yesterday's decision by the Halewood maintenance men could also have repercussions at Dagenham, Ford's largest UK car plant.

Halewood makes rear-wheel drive transmissions for some of the Sierra output at Dagenham.

Halewood shop stewards said yesterday's meetings, attended by more than 400 of the craftsmen, resulted in near unanimous vote to stay out.

Mr Ken Room, a shop steward in the metal stamping and body plant, which employs most of Halewood's craftsmen, said only two people voted to return to work in MS&B.

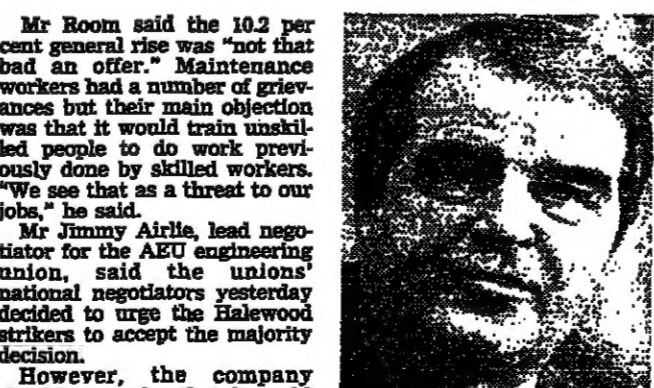
Mr Room said the 10.2 per cent general rise was "not that bad an offer." Maintenance workers had a number of grievances but their main objection was that it would train unskilled people to do work previously done by skilled workers.

"We see that as a threat to our jobs," he said.

Mr Jimmy Airle, lead negotiator for the AEU engineering union, said the unions' national negotiators yesterday decided to urge the Halewood strikers to accept the majority decision.

However, the company should recognise that it could not afford to leave key elements of its workforce feeling disaffected.

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Jimmy Airle: strikers urged to accept decision

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Dancers' dispute resolved

By Lisa Wood, Labour Staff

THE DISPUTE between dancers and the Royal Opera House has been resolved following a commitment by Mr Jeremy Isaacs, the general director of the Opera House, to a package of measures including a "dancers' charter".

Dancers voted on Thursday in a secret ballot to accept the management's offer, the financial terms of which were unchanged from those rejected by the dancers two weeks ago.

There will now be a further ballot in which the dancers will choose between two alternative pay formulas. The first is a simple 15 per cent increase across the board; the second would give increases of more than 21 per cent to the lowest paid artists and 14 per cent to the highest paid members of the company.

Agreement to the deal appears to have been won when management offered to commit itself with Equity, the performers' union, to set up a joint working party to achieve significant improvements in the "actual and relative position" of the dancers in relation to pay and conditions.

In the interim, a joint working party is being set up to draw up what Mr Isaacs yesterday called a "dancers'

FINANCIAL TIMES

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A swallow,
not a summer

AT ABOUT this time last year, when base rates stood at a mere 13 per cent, there was much speculation about whether Mr Nigel Lawson would be able to lower interest rates after the forthcoming budget. The speculation seemed amazing at the time. It seems still more so in hindsight. But it was depressing as well because the credibility of the government's commitment to lower inflation had almost disappeared.

Mr John Major has done what he can to avoid this trap. In his speech in the Commons debate on the Autumn Statement last Tuesday, he said the right thing "there can be no question whatsoever of an early relaxation of policy. Interest rates will stay high for some time to come."

The Chancellor was presumably trying to pre-empt the pressure for lower interest rates that the publication of the balance of payments figures for December will produce. These are almost dangerously encouraging. For the first time in a long while, the latest Treasury forecast for the current account - that for £15bn in 1990 - looks pessimistic.

Correct policy

Pleasure is justified; a change in policy is not. On the contrary, the broad lines of policy are still correct. The acceptance by Ford workers of the latest offer was far better than a rejection, but the award is still disturbingly high. If this becomes the "going rate," more pain will be needed for inflation to be put firmly on a downward path once more. The effective index for sterling may be 2½ per cent above its January trough, but it is still 10 per cent below its peak of a year ago. Sterling certainly has to rise a long way before lower interest rates can be dreamed of.

Fortunately for the Chancellor, recent hysteria about the "basic balance" - the sum of the current account deficit and net outflows of direct and non-bank portfolio investment - will help his cause. The basic balance has risen to close to 10 per cent of gross domestic product, implying a corre-

spondingly huge need to borrow short term. Concern about the basic balance supports the desire to re-introduce controls over exports of capital. This would be a disastrous error. It is in large part because British business must compete for capital in a global market that it has been forced to improve its performance in the 1980s. Those who hanker after controls should aim, instead, at making investment in the UK so profitable that the inflow of long term capital from abroad rises to match the outflow.

Real assets

Over the very long term, investment in real assets abroad combined with borrowing short term to finance it is likely to prove profitable. The outflow could create problems in the short term, however, if the interest rates required to sustain the inflow were incompatible with the UK's domestic situation. Happily, they are not.

Instead of listening to such overblown concerns, the priority for the Chancellor is to reinforce the credibility of a monetary policy that is now bearing fruit. The conventional wisdom is that fiscal policy should be tight. But a decline in the PSBR due to a slowdown in growth is no reason for raising taxes. More fundamentally, a tight fiscal policy can only be justified as a complement to a tight monetary policy, not as an alternative.

There are more radical ways of bolstering credibility. One would be to set a firm date for full membership of the European Monetary System. Another would be to legislate for a greater degree of operating autonomy for the Bank of England. Few things would more effectively remove the damaging conviction that, come what may, interest rates will be lowered to help the Conservatives buy the next election.

If the Chancellor were able to announce this change at the Budget he would electrify the onlookers (and, presumably, the lady sitting next to him). In trying to persuade her before-hand, he could point out that parliamentary sovereignty over monetary policy was a recent innovation. With an independent Bank of England, she - like Presidents Reagan and Bush - could blame the central bank for high interest rates and bank in the lower inflation and renewed growth that the greater credibility of monetary policy should provide. One trade swallow does not make a summer. That may well require a far more enduring change in the framework of British economic policy.

Like a stone dropped in a pond, Ford's 10.2 per cent pay settlement with its 31,800 manual workers this week sent ripples across the British labour market. One of them reached Mr Mike Pugh, human resources manager of the Sony television factory just across the A59 from Ford's engine plant in Bridgend, south Wales.

"Obviously it impacts on us as it does on everyone around here. Ford has traditionally paid the highest rates for craft workers," Mr Pugh said yesterday. Craftsmen working day shifts in Sony's tube plant earn £206 a week, while top grade Ford craftsmen on day and night shifts will now earn £276.41.

Other stones will be thrown in the pond shortly, some of them as big. Twenty three per cent of wage settlements fall in January, and most have been between 8 and 10 per cent. Large claims are already piling up from unions at British Gas, British Rail, and in local government for pay increases due in April.

Some deals attract less public attention, but are at least as significant in local labour markets. Both National Westminster and Barclays are in pay talks, with NatWest offering 8.3 per cent. For many employers, clerical pay rates at the local bank are an important benchmark.

The Government faces its own problems in trying to keep public sector wage settlements below inflation. But while struggling with the ambulance dispute, it has been quick to draw attention to the deterioration in unit wage costs and productivity growth in the private sector.

As the 1990s open, many companies are studying their wage bills. Knowing that the downturn in output is forcing up unit wage costs, yet unable to bear down strongly on wage increases for fear of losing skilled employees. Some would greet a rise in unemployment as a welcome relief.

The fall in output has already had a sharp effect on both productivity growth and unit wage costs in manufacturing. Government figures show productivity growth in manufacturing holding up at 6.1 per cent in the second quarter of last year, before falling to 3.7 per cent in the third quarter. But the clamour about the dangers of allowing unit wage costs to keep rising is rivalled by a second warning from ministers and business leaders. This is of the danger of under-investment in human capital - a failure to build up training, and spending on employee involvement.

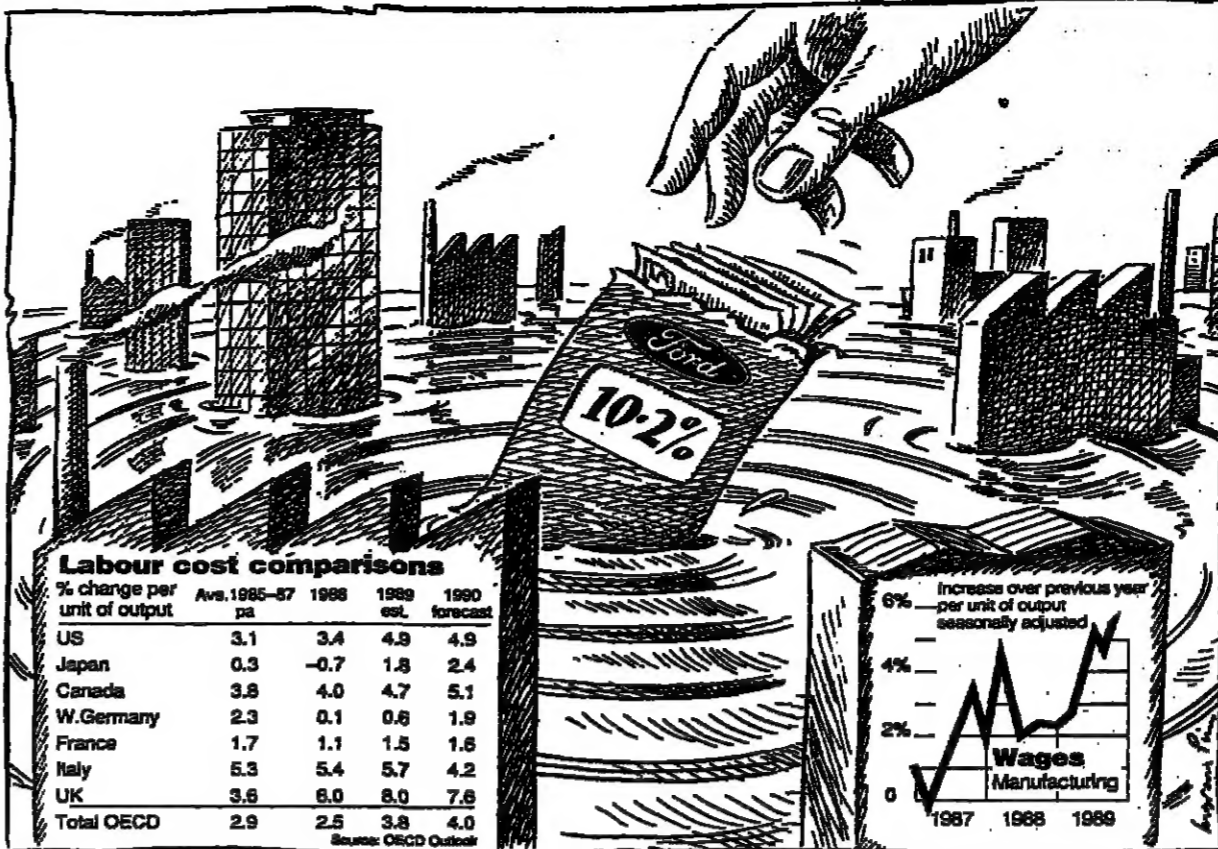
The need to keep people and train them are both strong upward pressures on unit wage costs in the short term. Mr Alastair Hatcher, of the pay research group Incomes Data Services, argues that service companies may "hoard skills" in 1990 by retaining staff even if customer demand slackens.

In this uncomfortable climate, productivity gains become harder to enforce. Part of the Ford settlement is an additional 3 per cent increase for lineworkers in the form of an allowance tied to local productivity improvements. Unions believe these increases will spread regardless.

These pressures contribute to scepticism among personnel managers about the Government's call for unit wage costs to be pegged in the short term. A variety of reasons are given. "The demand for skilled labour means wages levels cannot be held down too tightly. If we simply held down wages, we would go bankrupt with equanimity because we would have done the right thing, yet lost all our staff," says Mr David Duffield, NatWest's group personnel manager.

● Pushing up productivity is difficult when output is falling. "Our output per employee rose by 8 or 7 per cent last year, but it is no good having higher productivity now if you cannot sell the stuff," says Mr Alan Johnson, industrial relations director of Blue Circle Cement.

John Gapper examines the current UK pay round for signs of a permanent commitment to productivity gains

Heavy ripples in a
stagnating pond

● Overall costs may fall despite a rise in unit labour costs if production is reorganised. Unit wage costs at Nissan, the motor manufacturer in Tyne and Wear, are being pushed up by the hiring of workers to do tasks such as engine machining as part of the plant's expansion programme.

● Productivity improvements can be hard to tie to pay awards. "You do not actually get productivity overnight. It is a long process of looking at the ways you work and how you can educate and train people to do it better," says Mr Nigel Clark, UK personnel manager of Imperial Chemical Industries.

The unease about how to deal with the pressures on unit wage costs contrasts with the strong productivity growth in manufacturing in the stable pay climate of the late 1980s. Government estimates put manufacturing productivity growth at 6.6 per cent in 1987 and 5.6 per cent in 1988.

A central question for many companies will be whether they can return to this strong productivity growth after a short-term adjustment of wage pressure and output, or whether they are stuck with wage rises outstripping productivity improvements.

If the latter is true, Britain will relapse into its poor record of growth in unit wage costs compared to other Organisation for Economic Co-operation and Development countries of the early 1980s, when wages continued rising strongly despite the recession.

Similar fears about raising productivity in the 1990s culminated in the 1989 Donovan Commission, which recommended that the split between national joint pay negotiations and fragmented local bargaining be replaced by company-level talks on both pay and productivity. This

became known as the Donovan model. Mr David Metcalf, professor of industrial relations at the London School of Economics, argues that formal negotiations between managers and shop stewards finally became effective in raising productivity growth in the mid-1980s partly because workers' fear of unemployment gave managers greater power.

If so, the transfer of power back to workers through the tightening of the labour market might limit productivity growth in the longer term. It would suggest that British companies' improvements in labour performance can only be sustained in times of high unemployment.

Unions have sensed some transfer of power. Mr Gavin Laidr, the general secretary of the Amalgamated Engineering Union, talks of his members winning back past losses. But they are also contributing to renewed discussions about how productivity growth can be maintained.

Mr John Edmonds, general secretary of the GMB general union, says the Donovan model has been an

and then everyone goes back to sleep for three years," he says. Instead, he says training workers in new skills and giving them the opportunity of individual advancement encourages a constant process of change.

The need for constant change - perhaps faster than traditional bargaining can sustain - to keep up with product cycles and technical innovation is accepted by many union leaders and industrialists. Some argue that British companies are already making consistent gains.

The number of Confederation of British Industry members reporting that pay settlements involved productivity concessions has fallen from 27 per cent in the mid-1980s, but was still at 21 per cent in 1988/89. The CBI is projecting productivity growth of around 7 per cent in 1990.

But progress is often slow, and many companies are still working on ways of increasing shopfloor flexibility. ICI is in national talks about changes to local working practices, while British Gas is renegotiating the working patterns of service engineers to improve customer service.

Others have achieved cost-saving changes to working patterns, but are some way from having a culture of change. In 1985, Blue Circle Cement started reorganising the working pattern of process and craft workers, and introducing a system of annual calculation of working hours.

Mr Johnson says the main benefit to the company has been more intensive working because the workers no longer have an incentive to "bring the job out" for overtime payments. "I don't think we can kid ourselves about other changes in attitudes. There is still a lot of work to do," he says.

The UK's lag in growth
of gross domestic
product is "above all"
due to lack of investment
in education and training

obstacle to improved productivity. Change has only been discussed at annual pay talks which have also had to bear the weight of accumulated pay frustrations of shopfloor workers. "The only likely outcome of that is some half-baked productivity scheme,

Ford, which bargains according to the Donovan model, has clearly had difficulty in achieving the right fit of working practices to technology over the late 1980s. The company admits that equipment was installed on the Fiesta line at Dagenham ahead of agreement on working practices which would make the best use of it.

The view that employers are generally some way from achieving a decisive break with past constraints on productivity growth is supported by the 1988 Beyond the Workplace study of 175 companies, which found that most retained a "pragmatic or opportunistic" approach to employee relations.

Deterioration in unit labour costs, growing labour market pressures, and the shortage of skilled workers, are now working together to convince many employers that such a break is required. Two strands of change are accepted as vital to achieving more sustainable productivity growth.

One is training. The more rapid move towards multi-skilled manufacturing teams in France than in Britain was aided by better vocational training of craftsmen and technicians. British companies have often needed to invest greater sums in re-training to change working patterns.

The second is employee involvement. The commitment to constant change and improvement within Japanese companies in Britain is widely admired by British employers. Greater involvement in decision-making and production is seen as a way of fostering this.

The acceptance of a need to invest in workers' attitudes and aptitudes has in turn created interest in techniques of human resource management. Hope is placed in the use of "quality circles", profit-sharing and other forms of participation, although such practices have so far been used only in a patchy way which has had little effect on productivity.

Mr Ivan Yates, deputy chief executive of British Aerospace, says the UK's lag in growth of gross domestic product is "above all" due to the country's lack of investment in education and training. He argues that "invention and improvement" must come from all levels of workers.

But at least these difficulties stand in the way of British employers realising this aspiration to raise productivity by greater long-term investment in human resources.

● The Donovan model of pay and productivity bargaining is still entrenched in many companies, and unions are often suspicious of attempts to change it. "Human resources management" within companies can often sit uneasily alongside traditional industrial relations.

● Training has traditionally been vulnerable in British companies because of a concentration on short-term costs. Personnel directors often argue that training should be regarded as an investment rather than a cost. But when falls in output lead to a drive on costs, it is often cut.

● The tightening of the labour market has made it more risky for companies to invest large sums in individuals who may then move elsewhere. The re-emergence of local "going rates" for skills has raised the possibility of young workers in particular leaving.

Like other employers in south Wales, Sony faces the labour market pressure. But it is continuing to invest in training of chemical engineering craftsmen for a new tube plant. Its single-union deal with the AEU also includes a commitment to change and flexibility, which Mr Pugh says is effective.

As unit wage costs rise and employers face a testing phase of negotiations with their workers, the temptation will be to cut costs in the old ways. It remains to be seen whether employers' and unions' verbal commitment to a decisive change in productivity bargaining will survive the process.

Rogan Taylor is the articulate voice of the English football supporter, a species commonly assumed to prefer fists to words. This week he was as ready as ever with a quote after the Thatcher Government apparently abandoned its plans for a national identity scheme at soccer grounds.

"I feel a combination of delight and relief," he said. "The Government's medicine was about to kill the patient."

The Liverpoolian Taylor played his part in the scheme's demise. As a founder of the Football Supporters Association, he made a written submission to Lord Justice Taylor's inquiry into last year's Hillsborough disaster. The judge's report seems to have scuppered the identity card scheme. "Good old LJT" chuckles the judge's namesake.

Rogan Taylor was certainly born in the right place to emerge as the football supporters' spokesman. Liverpool is the Holy City of modern English soccer, its last quarter century packed with triumph and tragedy. The team's fans are among the most devoted in the world.

What prompted Rogan Taylor first to fall in love with the game was Hungary's famous defeat of England at Wembley in 1953. "My folks had bought a telly to watch the Coronation four months earlier," he recalls. The sight of Ferenc Puskas dazzling the English defence eventually turned Taylor into a supporter of Real Madrid, the Spanish club for which the Hungarian maestro played in the late 1950s.

It was an unusual choice for a pupil at Liverpool's Dugdale Road Junior School, where Taylor's fellow scholars included George Harrison and Paul McCartney. But Taylor was as determined as any Beatle to enjoy the 1960s. He dropped out of school at the age of 15 and after a brief spell in the Army set off to travel round Europe. Like all veteran hitchhikers he has his tale of the "dream lift" - an Arab in

MAN IN THE NEWS

Rogan Taylor

The
football
fan's
pacific
Shaman

By Philip Coggan



a Mercedes who took him from Belgrade to Baghdad.

Taylor spent the next seven years in the Far East, eventually returning to Liverpool to work as a gardener. When his mar had become a most unusual kind of football supporter he had got himself a PhD. Having failed to get a ticket for the match, he watched on television with horror as a charge by Liverpool supporters resulted in the deaths of 39 Italian fans.

"The city felt an enormous kind of suffering, mixed with

guilt," he recalls. Together with friends, including Merseyside policeman Peter Garrett, Taylor decided to do something. They wrote a letter to the Guardian, calling for the establishment of a "trade union of fans."

The idea was an instant success. The BBC asked for representative supporters to appear on Newsnight. Taylor and Garrett - 50 per cent of the then membership - duly appeared. Fans wrote in their hundreds, many sending cheques. The Football Supporters Association was born.

It is the alienation of supporters from the sport that, Taylor believes, is the root of soccer's problems. "The relationship between supporters and the game is so peculiar. They're not simple consumers, they're also part of the product. If a Cup Final had no one there, you wouldn't want to watch it on the telly," he argues.

The aim of the FSA is to seek representation for football supporters at every level. "We want to see an international federation of supporters organisations to topple UEFA (European football's governing body) off its perch. We don't know who runs UEFA. We don't know who pays for it but we suspect that in the end it's us," he says.

Tine and again, Taylor argues, the wishes of supporters have been ignored. "It's been all stick and no carrot," he says. When Sports Minister Colin Moynihan established a working party on the identity card scheme, the FSA pleaded to have a representative. The request was refused. "That wasn't a working party, that was a nodding dogs party," Taylor says. "Only a small coterie of people who assemble in Thatcher's kitchen supported the plan."

"Imagine a wet Tuesday night," says Taylor, "and a

young man arrives at the ground. He's walked miles, he's soaking and his card has been in his back pocket. It's cracked and the machine doesn't register it. It's a recipe for trouble and delays."

The FSA wants a voluntary, rather than compulsory, membership scheme. "You have to make it attractive. Entrance should be a guild cheaper if you're a member for a start," Taylor says. Without membership, spectators should be unable to travel to games abroad, get tickets to FA Cup matches, or attend international matches. Losing membership, Taylor argues, would then be a major deterrent.

But any scheme would not work unless the hooligan element was caught and convicted. Like many who are involved in football, Taylor supports Part 2 of the Football Spectators Act which will prevent offenders from travelling to games overseas.

Taylor says the scheme could be extended to games in the UK, requiring hooligans to attend special centres on match days. "But you've got to put a bit of money in it," he says. "It's a matter of will. Any Government that can stop 50,000 miners travelling round the country can take on the hooligans."

Although Taylor recently stepped down as chairman of the FSA, he will continue to be vociferous in arguing in favour of spectators' interests. He has taken up a post as research assistant at the Sir Norman Chester Institute at Leicester University, where he is writing a history of the relationship between football and its spectators.

The time has come for a positive change of attitude, he believes, so that spectators can stop being seen as a problem. "On April 15 (at Hillsborough), we saw the end result of accumulating control over safety," Taylor believes. "Some policemen didn't know people were dying in front of them because they were trying to keep them in the pens."

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UK COMPANY NEWS

TI Group sells Cox to BTR for £13.5m

By David Owen

TI GROUP, the UK-based specialist engineering company, has completed the disposal of its automotive division with the sale of Nottingham-based TI Cox to BTR, the industrial conglomerate, for £13.5m.

Payment was made in cash and by the repayment of borrowings made to the car seat and seat-mechanism manufacturer by the parent group.

The deal brings to £13.5m the aggregate proceeds of this series of disposals. These go under way with the sale of TI's European silencer businesses and Canadian tubes subsidiary in December 1989.

BTR, one of Britain's largest companies, intends to develop Cox's business in conjunction with the automotive cushion-making activities of Dunlopillo in the UK and West Germany. These currently contribute

turnover of more than £30m. The combination of Dunlopillo's technology and Cox will give an almost unique package to offer to European automobile manufacturers, the company said.

Dunlopillo recently developed a new foam-injection process for moulding cushions into the fabric of a car-seat. The process was first used in Ford's Fiesta model.

Cox, which is among Europe's leading vehicle seat mechanism suppliers, has staged something of a recovery since 1987, when it lost more than £2m. A "small" profit was achieved the following year, despite initial delivery problems.

Progress continued in the first half of 1989, helped by new business obtained from major motor manufacturers.

Millwall to pay £10m for public house chain

By Andrew Bolger

MILLWALL HOLDINGS, owners of the First Division football club whose south London Docklands supporters used to be among the most notorious in the country, plans to buy a chain of public houses by acquiring Tavern Leisure.

Millwall FC has cleaned up its image considerably in recent years and yesterday its chairman, Mr Reg Burr, said this £10m purchase was part of a strategy of diversifying into leisure, which the club outlined when it was floated on the USM in October.

Tavern Leisure, which came to the Third Market in June, operates 27 pubs, is about to acquire another four, and has the management contract for a further 20. They are mainly in county towns within a 60-mile radius of Oxford.

Millwall plans to double the number of pubs owned by Tavern by the end of the year, said it would maintain the group's existing geographical focus and had no plans to acquire outlets close to the Millwall ground.



Mr Burr said that Tavern, which operates under the name of Leisuretime Inns, catered for businessmen, families and the over-25 age group. He added: "We are not interested in places where you are up to your knees in beer."

The recommended all-paper offer is two new ordinary Millwall shares for every Tavern share.

Full acceptance of the offer would result in the issue of 51.2m new Millwall ordinary shares, representing about 44 per cent of the enlarged capital. Mr Burr said that because Millwall had no plans to acquire sites in south-east London, there would not be much synergy between the club and the Tavern pubs, although they would no doubt be advertised in Millwall's programmes and publications. But he added: "Millwall supporters are inveterate travellers, and I hope they will come into the pubs occasionally."

Acting responsibly while Dominion fell

Clay Harris considers if the institutions could have done more to prevent a collapse

COULD institutional investors have done more to head off the collapse of Dominion International Group?

This is a central question as court-appointed administrators pick through the debris of the financial services and property company in an effort to salvage as much as possible for its creditors. Shareholders are unlikely to recover any money.

While no one predicted the precise circumstances of Dominion's demise, with debts exceeding £100m, it did not come as a surprise to many institutions. In November 1988 several linked up behind the scenes to try to satisfy themselves about Dominion's direction and management.

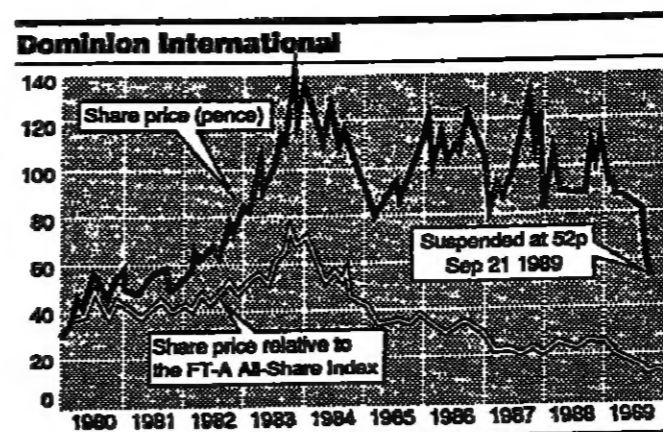
They eventually accepted a compromise which included an assurance that there was no foundation to allegations made by dissident directors, although at least two institutions subsequently sold all or most of their shares.

However, the internal row had been going on for more than a year before Dominion's small individual shareholders got their first public inkling shortly before the annual meeting last August.

What was attempted in November 1988 was nothing less than a coup against Mr Lord Barnett, Dominion's chairman, by Mr Rupert Galliers-Pratt and his brother, Mr Nigel Cayzer. Both men had joined the board as non-executive directors earlier that year when Dominion bought Film Finance, the world's leading film production guarantee company, from them.

Their bid to remove Mr Lord Barnett was backed by Mr Roy Richardson and his twin Don, Midlands property developers who had built up a stake in Dominion, and two institutions, Throgmorton and Fidelity, both of whom had signed a resolution to remove Mr Lord Barnett.

At least five other institutions did not go this far but allowed their concern to be made known through Mr Barry



DOMINION Investment Management, financial services subsidiary of Dominion International Group, is expected to be sold off shortly as a separate operating company, writes John Edwards.

An announcement is likely to be made next week of a management buy-out, backed by a major financial institution. It is understood that a company which has already been considering a buy-out for some time, has recently received several approaches from banks, investment trusts and an insurance group.

Meanwhile a spokesman for Fimbra, the City self-regulatory organisation that authorises

financial intermediary businesses under the Financial Services Act, confirmed yesterday that it had investigated the position of Dominion Investment Management, a member of Fimbra, in relation to its parent company.

Fimbra would make no comment on the results of the investigation. But, significantly, the company has retained its Fimbra membership in the highest, and most expensive, C 5 category. If it was thought that investors were at risk, Fimbra would almost certainly have invoked its powers forcing the company to suspend business.



Lord Barnett: would investigate all matters raised

Lord Barnett, in his new role, would investigate all the matters which had been raised and report to the board.

Lord Barnett's position as "absolutely fundamental" to this solution, according to one institution. About a week later, at a board meeting held at the offices of Herbert Smith, Dominion's solicitors, Lord Barnett concluded that the concerns of the Galliers-Pratt camp were without foundation.

Mr Galliers-Pratt claims this marked the last opportunity to save Dominion but admits that, with hindsight, he and the institutions "checked out". They might, for example, have insisted on the appointment of additional non-executive directors.

One factor which inhibited shareholders from pushing the issue to a public showdown was the impact it might have had on the value of their investment. Mr Galliers-Pratt

says even his own advisers, Hambros and Laing & Crickshank, warned him of possible repercussions on the shares of Harvey & Thompson, the pawnbroking and finance company, of which he is chairman. Large investors are also markedly reluctant to make a fuss. Throgmorton and Fidelity were different because they and received Dominion shares as part of the Film Finance deal, and thus were associated with the Galliers-Pratt camp. But, as Mr Mark Evans of Laing & Crickshank noted yesterday: "The instinct of most institutions is to keep out of trouble."

His firm was closely connected to Dominion for several years, acting both as corporate finance adviser and stockbroker. It was sacked from both roles in late 1988.

This was perhaps inevitable since the firm had also acted for Mr Galliers-Pratt's Harvey & Thompson and Film Finance, although it was not directly involved on either side

during the row. The Lewinsohn-led majority on the Dominion board turned for advice to Barclays de Zoete Wedd and Williams de Broe.

Laing & Crickshank's investment advice on Dominion also changed in 1988 to a strong sell recommendation, it argues, to other developments.

Mr Lewinsohn, however, told the Dominion board meeting on June 27 last year that one reason the company's shares had been weak was "strong sell signals from Alexander Laing & Crickshank, although no official research has been done by them for a long time."

Throgmorton sold its shares before it was too late - a decision, it says, based on Dominion's plan to sell Film Finance. Fidelity sold all but 250,000 of its shares.

Among the institutions the managed funds of which retained significant Dominion holdings at suspension were Gartmore, Royce London Mutual, Kleinwort Benson, Prudential, Touche Renmant and Actra.

Throgmorton's block ended up with the Richardsons, who were less fortunate in their timing than almost any other investor except City & Westminster Group which paid £570,000 for 1m shares only a fortnight before trading was suspended.

That transaction occurred while Mr Andrew Greystoke was still CWG chairman. Mr Greystoke said yesterday the purchase was made on the advice of UTC Securities.

Apart from sorting out absolute losers from relative losers - almost no one did well out of Dominion shares in recent years - the question remains: could institutions, which are privy to information not available to individual shareholders, have protected investors' interests better?

The answer is yes, probably, with hindsight. But Mr Olliff, some of whose clients were still invested in Dominion when the shares were suspended on September 21 last year, says: "They acted in a typically English traditional way. They acted responsibly."

Stratagem makes £8.2m offer for Colonnade

By Andrew Bolger

STRATAGEM GROUP, the investment company, yesterday launched an £8.2m hostile cash bid for Colonnade Development Capital, a small investment company with net assets of £3.7m.

In December Stratagem led shareholder opposition which blocked a plan by Colonnade to reorganise its management and purchase British and Commonwealth Holdings' development capital arm, Colonnade's investment manager.

Stratagem gained the support of institutions, including Legal and General, when it objected to Colonnade's proposals and they were withdrawn.

At that time, Stratagem made a conditional offer of 143p per share for Colonnade in order to effect a liquidation. Yesterday Mr Bernard Kerrison, chairman of Stratagem, made a cash offer of 163p for each Colonnade share and said

his company had bought shares in the market to lift its stake in Colonnade from 4.5 per cent to just under 15 per cent.

Colonnade shares closed 2p higher at 163p. Stratagem was unchanged at 165p.

Colonnade said the offer was inadequate and did not represent fair value for shareholders. The board would present its own proposals to maximise shareholder value once the offer document had been dispatched by Plusflow, Stratagem's bid vehicle. In the meantime shareholders were strongly advised not to sell their shares.

Mr Kerrison said his board was convinced that Colonnade no longer had a future as an independent, listed investment company. The Colonnade board had failed to produce proposals which would realise value for the shareholders.

DIVIDENDS ANNOUNCED					
Company	Dividend	Ex-date	Pay-date	Yield	Dividend
Dyson (J&J)	2	Apr 5	2	15.25	5
Heartbeat Bay	12.25	Mar 21	11.6	14	14
Hey & Croft	1.813	Apr 6	1.875	2.813	2.813
Investors Cap	1.775	Mar 7	1.025	-	4.25
Park Food	1.95	Mar 12	1.95	-	6.3
Whitegate Leds	0.25	-	-	0.25	4
Whitfield Office	2.4	Mar 23	2.4	4.2	4
Wintrust	2.8	Mar 30	2.5	-	7.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock, \$8.50 unquoted stock, \$4.10 unquoted stock. ‡Also special anniversary 5p paid as interim for current year.

LONDON RECENT ISSUES

Issue	Amount	Latest Price	1989/90 High	1989/90 Low	Stock	Dividend	Yield	P/E
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100

FIXED INTEREST STOCKS

Issue	Amount	Latest Price	1989/90 High	1989/90 Low	Stock	Dividend	Yield	P/E
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100

RIGHTS OFFERS

Issue	Amount	Latest Price	1989/90 High	1989/90 Low	Stock	Dividend	Yield	P/E
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100

TRADITIONAL OPTIONS

Issue	Amount	Latest Price	1989/90 High	1989/90 Low	Stock	Dividend	Yield	P/E
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100
100	100	100	100	100	British Telecom	100	100	100

Ferranti advised to use rights as a fall-back

By Hugo Dixon

FERRANTI International has written to its shareholders advising them to vote in favour of a 218m rights issue at an extraordinary meeting on February 5, although it no longer intends to go ahead with the issue following its agreement to sell its radar business.

Baring Brothers, Ferranti's merchant bank, believes it is important that the company goes through the motions of planning a rights issue because the sale - for £310m to General Electric of the UK - has not been signed and sealed.

Ferranti expects to sign new agreements next week with the underwriters of the rights issue and with its bankers, which would allow it to postpone the issue. This would give it time to consider scaling back or abandoning it.

However, in the event that the bankers and underwriters refused to postpone the rights issue and the GEC deal fell through, Baring thinks the existing underwriting facility should be kept in place as a fall-back.

Pension sales feature in Allied Dunbar new business

By Eric Short, Pensions Correspondent

PENSION sales figured prominently in last year's new business growth by Allied Dunbar, Britain's largest linked-life assurance group and a member of the B.A.T. Industries Group.

Overall new annual premiums improved 9 per cent to £198m and new lump sum investments by over 70 per cent to £667m.

New initial commissions, regarded by the group as the most meaningful indicator of new business growth, was up by one-fifth.

New annual premium on personal pension contracts rose 16 per cent to £28m, while single premium personal pension sales climbed more than 250 per cent to £258m, of which half represented contributions in respect of personal pensions contracted-out of the State

Earnings-Related Pension Scheme.

However, Allied Dunbar's life business performed well. New annual premiums on its Adaptable Life Plan were up 60 per cent to £21m, boosted by the successful launch of its critical illness version. Sales of single premium bonds rose 22 per cent, while unit trust sales benefited from the launch in October of the Personal Equity Plan giving overall sales of £169m, an increase of 13 per cent.

Allied Dunbar's sales force continues to expand strongly and numbers are now in excess of 5,000.

Funds under management reached £3.4bn by the end of 1989 and premium income during the year amounted to £1.3bn.

Wintrust advances 14%

IN SPITE of continuing unfavourable market conditions, Wintrust, the independent London-based merchant bank, increased pre-tax profits by 14 per cent from £2.35m to £2.68m for the six months to September 30 1989.

After tax of £938,510 (£833,955) earnings per 20p share grew 16 per cent to 17.91p (15.42p). An interim divi-

dend of 2.5p (2.5p) has been declared.

Mr Richard Szpilo, managing director, said the balance sheet remained extremely strong with liquid assets at some 38 per cent of total assets, and the loan book was of high quality.

There was every expectation of record profits for the full year, he added.

Tranwood capital restructure

By Clare Pearson

TRANWOOD, the financial services company, yesterday said it was asking investors to end-December showing pre-tax profits up to £5.9m (£4.23m). Earnings per share were 4.54p (3.19p). After a final dividend of 1.25p, the total is 2.29p (1.5p).

Mr Peter Karl, Tranwood chief executive, said the capital reconstruction came in the light of "the strong growth prospects for Tranwood and yet of the relatively weak performance of the share price."

The scheme is that, for every 300 ordinary shares, holders would get 100 ordinary shares; 39.10 per cent (net) redeemable convertible preference shares of £1 each; and £28 nominal of 13 per cent (gross) unsecured loan notes due 1991.

It plans to move up from the USM to the main market by gaining a full listing for the new shares.

The company also yesterday said that the ordinary shares issued in December would be at a price of 25p, the same as the price of the new shares.

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Chelsfield may launch bid for Laing Properties

By David Owen

CHELSEFIELD, the private property company engaged in transforming Wentworth golf club, last night confirmed that it was considering an offer for Laing Properties "amongst all options that were available to it."

Laing shares closed unchanged yesterday at 561p - a 12-month high - after Thursday's 30p gain. This closing price capitalised the company at about £337m.

The group's accumulation over more than a year of a 14.7 per cent Laing stake has spurred its fellow property group's share price, although 40 per cent of the shares are

held by the Laing family and its trusts.

Chelsfield also stated that it had made no attempt to purchase Laing shares or loan stock since October 1988.

This was in response to recent press speculation that the group had been adding to its holdings.

In September, Laing unveiled a 31 per cent increase in interim pre-tax profits to £

LONDON STOCK EXCHANGE

Trade figures provide further advance

A UK STOCK market already in buoyant form despite Wall Street's overnight setback received further encouragement yesterday from the announcement of substantially better than expected UK trade figures for December.

The big institutions were ready buyers of insurance stocks marked lower on Thursday when severe storms swept the UK and, although prices closed below the best of the day, the Footsie index gained nearly 25 points to recapture the 2,300 territory.

Some traders were caught by surprise when equities opened higher yesterday, brushing off negative performances in New

York and Tokyo. The aftermath of a storm over southern England disrupted suburban travel and some morning meetings at City firms were only thinly attended. Only as market-makers punched prices into the Seag trading system at 0800 hours did it become apparent that buyers were hovering

around the marketplace. Share prices moved up and the market was 20 Footsie points ahead as it waited for the UK December trade news at mid-morning.

The announcement that the current account deficit had shrunk to £1.2bn from £1.4bn in November, and compared with market predictions in the £1.5bn range, sent equities to the day's Footsie peak of 2,355, more than 30 points up.

The market was helped by purchases by dealers who had sold stock earlier this week and needed shares to meet sell commitments before the end of trading in the London equity market trading account

at 1530 hours yesterday. However, prices came off the top as sterling's immediate response to the trade figures began to stall and government bonds slipped lower to show final losses of 4 points or so. Dealers commented that glits were concentrating on trends in US and Japanese bonds.

When Wall Street opened on a relatively steady note, London recovered heart. At its final reading, the FT-SE index stood at 2,315, a net 24.5 up on the day. Over the two-week trading account, the FT-SE index has fallen by 65.6 points, or 2.8 per cent, in volatile trading as UK equities have reacted to uncertain trends in

the domestic economy and heavy falls in US and Japanese markets; this week brought a 20.5 point fall.

Turnover increased yesterday, with Seag volume at 552m shares against 462.2m on Thursday. However, Stock Exchange turnover statistics for retail, or investor, business shows that daily levels this week have remained well short of the 10m figure regarded as the sign of a bullish market.

The revival of takeover speculation featured the market yesterday. "Insurance stocks are not valued at present by possible future claims, but by prospects for bids from Europe," pointed out one dealer.

Continued rally in Ferranti

Ferranti was the biggest-traded alpha stock on the market with turnover of 22m shares bringing the number traded during the week to 106m. The price rose 3/4 more to 38 1/2p, up 11 over five days, boosted by the sale of the group's radar division to GEC for £310m and the 24th sale of its remaining Italian interests.

Observers said the disposals made it unnecessary for the £187m rights issue to go ahead, and that news of a new Ferranti chief executive was imminent. Some specialists now regard the company as a recovery stock.

In fact, less than a week there has been a remarkable transformation of Ferranti from a beleaguered defence/electronics group to a financially sound software-based group, said an electronics analyst. He expected more disposals to be announced next week.

Standard stories

Stories linking Standard Chartered with a number of potential predators refused to die down and drove Standard's share price sharply higher yesterday. Also pushing the stock up was a story that a large short position in the shares was being closed.

At the close, Standard was 28 firmer at 600p, a year's best and a rise of 54 on the week; turnover came out at a less than spectacular 2.1m; the week's turnover was just short of 11m shares.

Standard officials were said by traders to have lunched with a leading City broker firm yesterday.

But persistent takeover stories regarding Standard were no different yesterday from those circulating at the start of the week, with Lloyd's Bank, threatened some years ago in an effort to gain control of Standard, again mentioned, and suggestions of a possible link with Royal Bank of Scotland and Banco Santander still being mentioned.

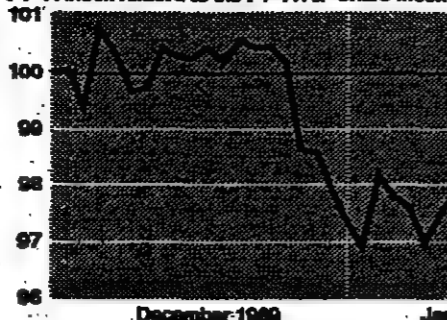
Dealers also revived tales of a break-up bid, and said the market was full of talk that a 5 per cent stake was about to be revealed. Lloyd's has a near 5 per cent stake in Standard, while Mr Tan Sri Khoo Teck Puan, one of the so-called white knights who effectively blocked the Lloyd's bid, has a similar holding.

Wellcome recovery

Wellcome staged a strong recovery after several days of

Publishing & Printing

FT-A Index relative to the FT-A All-Share Index



The publishing and printing sector did not deviate from several months of relative weakness, as industry cuts costs by trimming advertising expenditure. Reed International was weaker than most yesterday, slipping 3 to 4 1/2p in a glut of stock. Tomorrow's launch of the Independent on Sunday seems unlikely to improve the short-term profitability of publishing companies.

underperforming the market. The shares climbed 25 to 705p on strong volume of 1.7m.

Dealers said the rise was partly because the stock was "due a bounce." They pointed to the fact that yesterday was the start of the stock exchange account which would include a decision on the use of Wellcome's Aids drug Retrovir from the Advisory Committee of the US Food and Drug Administration. The committee is expected to recommend that Retrovir be used by people who carry the Aids virus but do not show symptoms of the disease.

According to Mr Ian Moore of UBS Phillips & Drew, this would increase the number of potential takers of the drug in the US from 80,000 to between 1.5m and 1.5m. The committee meets on Monday and its decision is expected by Tuesday.

Mr Jonathan de Pass at BZW added that yesterday there had been an announcement in Switzerland that Retrovir had been approved for use with asymptomatics. Although the Swiss market is small, this provided another boost to hopes of approval in the US. Mr de Pass said the go-ahead was likely

but that the implications of the decision were largely in the share price already and, by the same token, the price was vulnerable to a less than fulsome recommendation.

Composite insurers were marked down sharply at the outset, with traders worried about the impact on profits of the sales that caused havoc across the UK on Thursday. But share prices soon steadied and began to move up with buyers still keen on the takeover stories that did the rounds earlier in the week and also taking note that insurance groups' losses will be cushioned by reinsurances.

Analysts said they were surprised by the strength of the bounce by the composites; "preliminary estimates of the damage are creeping higher and will have to include claims from the Continent which also took a beating," said one specialist.

Commercial Union rose 10 to 501p, General Accident 23 to 1125p, Guardian Royal 5 to 240p, Royals 11 to 325p and Sun Alliance 3 to 213p. Lives were firmer with Legal & General 10 firmer at 406p and Prudential 5

up at 220p.

The bank stocks were supported across the board, with institutions said to have been buying the sector ahead of the preliminary reporting season which began during the trading account commencing February 12. NatWest is expected to announce figures on February 20, Midland on February 22, Lloyds on February 23 and NatWest on March 1.

Whispers of a possible bid for Standard failed to restrain Lloyds Bank which moved up 11 to 285p on above average turnover of 5.1m, with interest said to have been additionally fuelled by hints of a possible sizeable assets sale.

Barclays added 9 to 545p on 1.6m, while Midland edged up to 376p. NatWest was 5 higher at 337p. TSB put on 5 more to 139p on good turnover of 6.6m. Lloyds continued to weaken in the wake of Thursday's fig-

ures, not helped by cautious follow-up comments from analysts. The shares slipped 5 to 259p.

Smith and Nephew shed a penny to 123p as equity traders said their counterparts in convertible bonds had been selling the shares to buy the bonds.

The FTSE 100's worst performer, Cookson, weakened 7 to 256p after bearish press comment on the outlook for the titanium chloride business. New York selling and an excess of stock in London conspired to leave ICI 5 cheaper at 109p. Turnover was a good 1.1m shares.

Leigh Interests, the waste treatment company, ran firmer as two separate stakebuilding stories were heard in the market. One was that fellow "green" stock Caird was buying shares once more, and the other was that one of the newly privatised water companies was taking an interest.

Richard Mooney

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS	NEW LOWS
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000
ADT Group	1,000

RISKS AND FALLS

Risks	Falls
British Pensions	24
British Pensions	24
British Pensions	24
British Pensions	24
British Pensions	24
British Pensions	24
British Pensions	24
British Pensions	24
British Pensions	24
British Pensions	24

COMMODITIES

WEEK IN THE MARKETS

Metals start to show some fight

BASE METAL prices at last showed some resistance to the recent relentless downward trend this week, but any thoughts of a rebound remained far from dealers' minds.

Analysts had been saying for a while that most LME contracts were becoming oversold, as gloomy news from Wall Street kept the selling orders coming in. And they had noted that the overwhelmingly bearish sentiment had been preventing any bullish response to news of production disruptions affecting copper, lead, zinc and tin.

Ironically, it was as these disruptions began to disappear that LME contracts started to show some fight. Monday brought news of the reopening of the big Ok Tedi copper and gold mine in Papua New Guinea, four days after its closure because of a rebel band's blockade. On the same day a Brazilian appeal court overturned an order closing the access road to Pitanga, the world's largest modern tin mine. And on Thursday workers' leaders at Centromin, Peru's biggest producer of lead, zinc and silver, agreed to end a 10-day strike.

The LME cash copper price, which had fallen to a 16-month low of \$1,230 a tonne, rallied on Thursday and yesterday —

helped by short-term technical considerations and some European buying — to end the week at \$1,280 a tonne, down £28 on balance. Cash tin dipped to \$6,522.50 a tonne on Monday but ended the week 45p up at \$6,595 a tonne. Despite falling back \$17.50 yesterday on news of the Centromin settlement, the cash zinc closed 80p up on the week at \$1,265 a tonne. And cash lead ended only 23p down on week at \$217 a tonne having staged a 27.75 rally on Wednesday.

Nickel remained clearly the weakest of the LME metals. Despite the announcement of plans for substantial production cuts by two big producers the cash position closed yesterday at \$6,400 a tonne, down 27p on the week. However, that was well above the two-week low of \$5,887.50 reached on Tuesday, following Monday's announcement of a 65-tonne rise in LME warehouse stocks to a 2 1/2-year high of 7,356 tonnes.

The three months position had fallen to \$5,787.50, providing the apparently conclusive breach of the \$6,000 support area that some analysts had predicted would trigger a further fall to about \$5,000 a tonne. But then the producers stepped in.

On Tuesday night Inco of

Canada, the world's leading nickel producer, announced that it would cut output this year by about 9,000 tonnes to 181,500 tonnes and Falconbridge, the country's other big producer, said it was considering an output cut and cost-cutting measures. That was confirmed on Thursday when the company said its output target for this year had been reduced by 10 per cent, or 6,000 tonnes.

On mature consideration, however, traders appear to have concluded that the cuts are not enough to turn the market round, hence yesterday's sharp fall.

Before the Inco and Falconbridge moves Mr Angus MacMillan, analyst with Billiton-Enthoven Metals, had suggested that consumption of nickel this year would fall to 300,000 tonnes to 630,000 tonnes, compared with a 15,000 tonnes surplus in 1989. He estimated that the nickel price was likely to average between \$6,612 and \$7,163 a tonne this year, compared with \$13,334 a tonne in 1989.

Cash aluminium closed yesterday at \$1,469 a tonne, down \$36.50 on the week but \$26 above Wednesday's 31-month low, having echoed copper's early fall and subsequent rally.

At the London bullion mar-

ket gold traders mounted a fresh attempt to break through the \$400 barrier. But although the price closed on Wednesday at a 13-month high of \$420.35 a troy ounce the move proved not to have been conclusive and after falling to \$415 on Thursday the price closed yesterday at \$415.75 an ounce, up \$5.75 on the week.

The coffee market also tried to break fresh ground, but in the other direction. Having touched a 14-year low of \$565 a tonne on Wednesday, however, the March position ended the week 33p higher at \$594 a tonne.

But dealers were not getting too excited about the rally, saying the market still lacked the fundamental news to give it a clear direction. Producers of the less-favoured robusta coffees (as against the milder arabica) still had a lot to sell, they noted, and further sharp price falls could not be ruled out. And they added that recent cuts in retail prices would have much effect on consumption, which is not very price-elastic.

The cocoa market put in stronger performance, with the May futures position regaining £13 of last week's £23 fall to close yesterday at £249 a tonne.

Richard Mooney

FINANCIAL TIMES STOCK INDICES

	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Year Ago	High 1982-92	Low	5-yr Comp	Low
Government Secs	81.84	81.60	81.08	81.24	81.34	88.78	80.29 (80/2/88)	81.04 (81/1/04)	127.53 (1/2/5)	49.18 (3/17/75)
Fund Interest	90.85	90.95	91.11	91.40	91.42	97.12	89.58 (15/9/88)	90.85 (26/1/02)	105.4 (2/21/147)	50.53 (3/17/75)
Ordinary Shares	185.15	183.65	182.88	183.88	184.01	182.88	200.68 (5/9/89)	147.67 (3/1/89)	200.61 (5/5/89)	49.4 (26/4/40)
Gold Mines	370.9	371.5	357.2	319.2	318.2	173.3	371.5 (25/1/00)	154.7 (17/2/88)	734.7 (21/3/105)	43.5 (26/8/107)
FT-SE 100 Share	2314.5	2269.9	2278.6	2291.1	2267.1	2006.9	2463.7 (17/2/98)	1782.93 (12/8/82)	2463.7 (24/3/97)	986.9 (22/7/78)
Ord. Div. Yield	4.62	4.95	4.87	4.55	4.65	4.49	Basis 100/100 Shares 15/10/28; P/E ratio: 125			
Earning Yld % (full)	11.29	11.37	11.42	11.34	11.33	11.05	Ordinary 17/35; Gold mines 19/55; Basis 11			
P/E Ratio(Natl)(c)	17.73	10.85	10.80	10.88	10.88	10.87	FT-SE 100 31/12/23 & 31/12/87			
S&P 400 Bargins(Spm)	20.45	26.227	29.917	31.020	26.887	50.882	GILT EDGED ACTIVITY Indices* Jan 25 Jan 26 Gilt Edged Bargins 104.1 99.5 5 - Day average 95.5 Basis 100/100 Shares 15/10/28; P/E ratio: 125 Ordinary Shares & Overseas Turnover. Calculators the FT Indices of daily Earnings & Value Value & of Earnings Average Earnings & Earnings Value, was continue on July 31 closing values to 28 available on request. London time and latest share index: Tel. 0800 123001			
Earnings Turnover(Mlt)	100.03	88.251	89.740	89.740	54.291	2229.58				
Shares Traded (Mlt)	472.0	655.2	446.0	273.2	899.2					
Ordinary Share Index, Hourly changes	Day's High 1860.3	Day's Low 1831.0								
Open 1840.3	1845.0	1851.3	1856.8	1859.3	1845.8	1845.2	3 p.m. 1845.2	4 p.m. 1852.6		
FT-SE, Hourly changes	Day's High 2295.5	Day's Low 2297.5								
Open 2297.6	2303.4	2310.1	2317.4	2318.8	2313.7	3 p.m. 2316.0	4 p.m. 2315.6			

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UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated S with no prefix refer to US dollars. Yields % allow for tax bearing amounts. Prices of certain debt insurance linked assets subject to capital gains tax on disposal. Distribution free of UK tax. S: Single premium insurance plan. S: Single premium insurance. O: Offered price includes all expenses except agent's commission. C: Previous day's price less currency gross. S: Suspended. Y: Yield before Jersey tax. E: E=valuation. C: Only available to charitable bodies. Y: Yield. O: Offered. S: Annualized rates of NAV increase and ex dividends. (M) Funds not SIC

US MARKETS (3pm)

STANDARD AND POOL

Industrial Div. Yield

Monica (no)	1,715,700	23 1/2
W of N Eng	1,699,400	3 1/2
	1,400,100	25 1/2

Values of all indices are 100 at the base year.

100

[illegible]

Delaite	5,550		Ecco	981	-6	Hapag Lloyd	4,375	-3	Domestic Petroleum	328.70	+0.2	Do. Pig Certs.	2.75	
EBES	4,240	-35	Electrolin re	958	+3	Herdoburger Zsm	1,360	-20	Elsevier	78.70	+0.4	Alyssa	1,335	
De AFV	4,140	-40	El-Agualine	540	+8	Hankel Prod.	550	+15	Fokker	37.60	-0.2	Do Pig Certs.	96	

Company	Price	Change	Company	Price	Change	Company	Price	Change
Kredietbank	4.255	+1	Wolfsbank	772	+1	Van der Wijk	270.00	+1
Do AVF	4.300		Hachette	380	+1	Go Grinlet	34.80	+1
Van Huldige	14.000	+100	Hans	1.419	+12	Overman (Van)	1.100	+5
			Transal	264	-1	Chubb	1.100	+5
			Linde	879	+11			
			Leifhams	215	+4			
			De N.V. De	173.8	+3			

Do. AFV	17.300	+275	157	+1.3	245	14	Do. (Pi) (2)	940	+25
Uperg	2.450	+5	1.338	+1.5	245		Sika	730	+30
Do AFV 1	2.410		130.5	-4.4	380		Comptrol	4,290	+1.5
					267				

[illegible]

Mitsubishi 1 Prio	92.9	-4.9	Thomson (CSF)	1.96	-1.5	Free State Corn Gold	96.9	+0.75
Mitsubishi 1 Prio	175.5		Total-Petroleum Fr.	51.9		Gold Fields SA	105	-1
	60.8	-1.1	NEC 1 neobank	41.0	-1.6		25.29	

Company	Price	Change	Company	Price	Change
Accor	860		Alcoa	81.5	+0.18
Airfrase Occident	640	+5	Asio Deutsche K	81.5	+0.18
			Da. Pyl.	643	+0.18
			Rinscente L	7.625	
			Union Elec. Fin.	87	+0.94
			Union yel Penia	1,800	-30
			Yel	448	
			Tiger Oats	27.5	-0.5
			Yomazac. Nactest	17.65	
			Yel. Duck	448	

Aoki Corn	1.770	-46	Kajima	2.080	+30	Nippon Flour	2.040	-10	Tobacco	2.160	-46	Yokohama	2.160	-46
Arabian Oil	1.900	+300	Kaken Pharma	2.840	+20	Nippon Hodo	2.850	+10	Tobacco	2.460	-46	Yokohama	2.460	-46
Asahi Cement	1.900	+300	Kamada	2.000	+20	Nippon Kayaku	2.410	-10	Tobacco	2.520	-46	Yokohama	2.520	-46

Central Finance	1.160	-10	Nippon Suisan	965	-15	Tokyo Car	2,750	+40	Yamaguchi Kasei	2.35	+10
Central Glass	950	-13	Nippon TV	34,100	+5	Tokyo Corp	2,340	-	Yamaguchi Kasei	2.90	+10
Chiba Steel	1,800	-	Nippon Yusen	1,170	-80	Tokyo Land	1,400	+20	Yamaguchi Kasei	6.28	+0.14

Dai Nippon Ins	902	Kyoto Indus	795	NorLam	1,850	Tokai Ind	1,660	Gross H'bour Trl	15.30	+0.2
Dai Nippon Phar	2,810	Kyotaru	2,290	Odaiba Elec Rly	1,680	Tsubakimoto Clin	1,190	Dan Heug Hdgs	1.38	-0.15
Dai Nippon Pte	2,340	Kyowa Bank	1,530			Yasumi	1,000	Epson	2.00	+0.15

Fuji Film	3.340	+20	Nissan Motors	949	-10	Yamaha Motor	2,100	+30	Hyundai Dev	1.16	+0.02
Fuji Electric	1,180	+10	Meiji Milk	1,070	-20	Yamaha Trans	1,750	+60	Indust Equity P	10.60	-0.2
Fuji Film	4,410	+100	Meiji Sanka	1,170	+10	Royal Co	2,900	+10	Jardine Math	23.50	+0.3

Hasegawa Kom	1,490	20	20	4.30	-0.06	Windsor Ind	7.60	
M. J. Petchen	1,380	20	20	4.30	+0.07	World Int Hldgs	3.20	+0.08
N. J. Petchen	980	6	6	0.17		Zung Fu	3.17	
Settsu	1,250	20	20	4.30				

Indonesian Paper	3,880	-10	Aluminum	1,190	+60	Soo Brand Milk	1,300	-10	Bombay Sugar	3.88	+0.03	SINGAPORE
India	4,010	-10	Allyal Iron Wks	1,040	+10	Sony	8,520	+10	Burns Philp	3.60	-0.01	January 26
Indonesian Paper	3,880		Mizuno Sportsw	1,880		Complex Plastic			CRA	11.00		SE

Isuzu	4,350	-25	Nagoya Railroad	1,330	-30	Suzuki Motor	935	-15	Giant Cos.	0.27
Hitachi Electric	1,240		National House	2,160	-10	TDK	6,300	-80	Goodman Fielder	1.87
Isuzu	3,710	+58	Nichi	2,730	+10	Tokai			Hamble (J)	2.88

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 1, 1861. It is a very important document, as it is the first official communication from the President to the Congress since the inauguration of Abraham Lincoln. The letter discusses the state of the Union and the challenges facing the country at the time.

NOTES - Prices on this page are as quoted on the individual exchanges and are last trade prices. (u) unavailable. & Seedlings suspended. x1 Ex dividend. x2 Ex scrip issue. x3 Ex rights. x4 Ex all.
* Finland prices unavailable Jan. 25 & 26.

WORLD STOCK MARKETS

AMERICA

Dow declines to lowest level since summer

Wall Street

ANOTHER attempt at a rally failed yesterday morning, and equity prices fell by lunchtime to their lowest levels since last summer, writes *Anastasia Kalesky in New York*.

The equity market opened with a positive tone, in spite of a sharp early morning fall in bond prices, when the Commerce Department announced some stronger-than-expected economic figures. After the 3.46-point decline in the Dow Jones Industrial Average on Thursday, some traders' anticipation of a technical rebound proved justified, but not for long.

The Dow opened only slightly lower and quickly turned upwards, gaining 20

points within the first hour and a half. But buying interest seemed to evaporate as the Dow hit technical resistance at the 2,580 level and waves of programme trading pushed the market sharply lower within the next hour.

By 2 pm, the Dow stood 37.71 down at 2,533.33. Volume was moderate, with 128m shares changing hands, and declining shares outnumbered gains by about two to one.

Setbacks in the bond market added fuel to the stock market's decline. The Treasury's long bond fell by 1/8 to 95 1/8, price at which it yielded 8.52 per cent. Bond investors were dismayed, mainly by an unexpected jump in durable goods orders in December.

The dollar's weakness on the foreign exchanges was another

cause for concern.

The Commerce Department announced a 2.5 per cent increase in orders, when Wall Street economists had generally predicted a 2.6 per cent decline. In addition, preliminary figures for the fourth quarter gross national product showed the economy growing somewhat faster than economists had predicted. The GNP growth was 0.5 per cent, compared with a consensus forecast of 0.3 per cent. The GNP-based inflation figures were also slightly higher than had been forecast.

Another worry was a statement by AT&T that its rate of profits growth in the current year might not equal the 19 per cent recorded in 1989. This warning came as no surprise to analysts who followed AT&T,

and the company stressed that it was still expecting profits in 1990 to be substantially ahead of last year's excellent levels. Nevertheless, the stock fell by 3/4 to 33 1/4 in active trading. MCI, AT&T's main competitor, fell in sympathy by 2 1/4 to 33 1/4.

The other biggest losers among the blue chips were bank stocks, led by Citicorp, which declined 1 1/4 to 52 1/4. Interest rate concern was the main factor.

The day's most heavily traded issue was New Germany Fund, which rose 1 1/4 to 23 1/4 on massive volume of 4.8m shares.

Among the special situations, UAL fell 5/8 to 41 1/4, after the board failed to issue a response to its unions' offer of a \$1 to \$6 in response to its plan

for taking Eastern Airlines out of bankruptcy. The plan would involve Texas Air giving up 40 per cent of the equity in Eastern to creditors.

Canada

FALLING bullion prices eroded gains by gold shares, sending most Toronto stocks lower. The composite index fell 7.1 to 3,742.3 on volume of 18.9m shares. Declines led advances by 218 to 172.

Imperial Oil class A shares rose 3/4 to C45 1/4 after the anti-trust tribunal said that it approved of Imperial's Cdn takeover of the Canadian division of Texaco Inc if certain conditions were met.

Among golds, Lac Minerals rose 3/4 to C31 1/4 and Placer Dome firm C34 to C34 1/4.

Nordic countries travel widely diverging paths

Robert Taylor reports on Scandinavia's outlook

OVER THE past 12 months, the Nordic region has experienced among the best and the worst stock market performances in the world, and the divergence is expected to continue during 1990. The market economies of northern Europe may have much in common, but at the moment they are going their different ways.

At one end, there is Norway. In 1989, the Oslo share index rose by 54 per cent to 527, while turnover more than doubled to Nkr58bn (\$13bn). The upward surge in stock market activity in Norway reflects the rise in oil prices, the growth in tax savings funds and a 7 per cent jump in shipping company shares. The abolition of the turnover tax last January also made a positive impact.

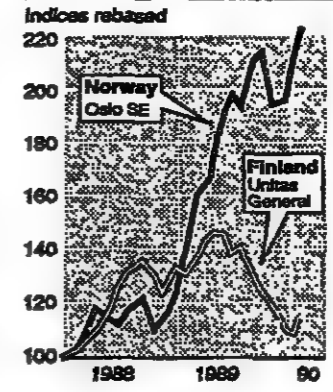
Norway's buoyancy also undoubtedly underlines the general and lasting recovery which has taken place in the Norwegian economy since its crisis in May 1986, reflected in the optimistic level of investment, export-led growth and relatively low wage and price increases of less than 5 per cent.

There are two worries: the dramatic growth in unemployment, which has climbed to a post-war high of just under 5 per cent; and the Government's budget deficit of Nkr38.4bn. But neither of these seems likely to upset the stock market.

Indeed, in spite of some angry noises from the trade unions, observers believe that the outlook is good for another year of relative price restraint. Kleinwort Benson Securities says that 1990 will not be as impressive for the Oslo stock market as last year, but that it can still expect index growth of about 20 per cent.

The outlook for the Copenhagen stock market also remains optimistic. Last year it enjoyed a 34 per cent rise in its share market as last year's 69 per cent gain in 1988, helping to consolidate Denmark as one of Europe's top performers. There were particularly impressive achievements in shipping (up 75 per cent), financial services (57 per cent higher) and

Whether Copenhagen can



overheated economy with its low growth, balance of payments deficit and relatively high wage and price inflation. Above all, Finland has been experiencing high interest rates. Earlier this month agreement was reached on a national pay deal after a protracted period of uncertainty, but this looks unlikely to make much of a positive impact on the economy until next year at the earliest.

In the view of Kleinwort Benson Securities, the Finnish stock market is "still no more than convalescent." It has one of the lowest ratings in Europe. But while the immediate future may witness further bad corporate news, there is "scope for a substantial recovery which could make it one of Europe's better performers later in 1990."

The Swedish stock market is another matter with considerable uncertainty over the future. This week, the Ministry of Finance took rather belated action by deciding to halve the hated turnover tax on share deals and options from January 1991; but this is seen as too little, too late, and looks unlikely to attract back much of the blue-chip company business, which has avoided the tax by trading in London and New York rather than in Stockholm.

The unpredictability of Stockholm reflects the growing malaise over the future of the country's economic management. The Social Democrats are desperately trying to avoid stringent measures that will increase unemployment, as they wrestle with a mounting balance of payments deficit, poor trade figures and a level of inflation more than twice the western industrial average.

Much depends on whether a national wage agreement can be negotiated this year but, even if this happens, there is every prospect of tougher action to dampen the economy. During the 1980s, Stockholm was one of the great stock market success stories. Nowadays, while there is the occasional flurry on a corporate deal, the celebration is being followed by a long morning-after.

ASIA PACIFIC

Nikkei falls on fears of instability overseas

Tokyo

EQUITIES made an initial show of strength yesterday, but persistent fears of instability on overseas markets later led to volatile trading which took share prices lower by the close, writes *Michiko Nakamoto in Tokyo*.

Index-linked buying was noted as prices nudged up in early trading, but, after a period of fluctuation, the close was 56.04 down at 36,874.07, up 0.1 per cent on the week. The day's high was 37,088.07 and the low 36,845.72. Declines of 527 outnumbered advances of 347 while 243 issues were unchanged.

Volume fell to 523m shares from the 538m traded on Thursday. The broad-based Topix index lost 1.75 to 2,711.15 while, in London, the FTSE/Nikkei index rose 0.38 to 2,033.17.

An influx of new investment trust funds was expected to support the market, but investors remained cautious before the weekend and on the last

day of trading for settlement in January.

"The broader picture for Japan is looking better, but this is not being reflected in the stock market," said Mr George Nimmo at SBCI Securities. The recovery of the yen had helped the bond market to recover, but overnight weakness on Wall Street kept investors concerned about further instability there.

Meanwhile, worries about the forthcoming elections in Japan and the political scene in the Soviet Union also hung in the air. Mr Nimmo noted, however, that there was very little of the sense of panic in Tokyo that has characterised much of the western response to the fall in markets.

The outcome of the national elections in Japan could be destabilising, as nobody knows what will happen if the ruling Liberal Democratic Party, which lost its majority in the Upper House of the Diet in elections last summer, falls to win a majority of seats in the Lower House as well. Past

trends, however, show that the market has almost always risen within a month after an election, even when the ruling party has fared poorly.

Analysts are also becoming increasingly optimistic that the worst is over. One promising sign has been the bond market's emergence of electricals as market leaders. Following Wednesday's pattern, blue-chip electricals dominated the list of most actively traded issues yesterday, with seven among the top 10.

"The fact that they are becoming a focus of buying is good news," said Mr Yoshio Shimoyama of Nikko Securities, "since the worst thing for the market is when investors don't know what to buy."

Hitachi topped the volume list with 21.1m shares, followed by NEC with 21.1m. Hitachi and NEC each gained 730, to ¥1,600 and ¥2,040 respectively. Electricals were pursued as laggards and as growth stocks.

Oil companies continued to attract interest, on the strength of oil futures and on

speculation that Saudi Arabia would buy into the Japanese oil industry. Cosmo Oil gained ¥80 to ¥1,370 and Nippon Oil firm ¥30 to ¥1,670.

Osaka was less inclined to take a positive view and suffered from profit-taking. The OSE average fell 106.65 to ¥7,853.81 on thin volume of 6.6m shares, compared with 68.5m on Thursday.

Roundup

GOLD ISSUES pulled Australia higher, but movements in other markets were mostly small. Lunar new year holidays closed Hong Kong, Taiwan and South Korea.

AUSTRALIA was buoyant as gold stocks rose again after a further weakening of the local dollar and a rise in the bullion price. The All Ordinaries index gained 9.5 to 1,694.9, for a rise on the week of 0.7 per cent. The gold index gained 43.4 to 1,897.3, taking its rise over two days to 6.7 per cent.

Options-related activity swelled turnover, which

reached 167m shares worth A\$407m from Thursday's 103m and A\$300m.

BHP gained 20 cents to A\$9.84 after Thursday's news of a big oil discovery off Western Australia, a rise in the price of iron ore exports and the fall in the currency.

Western Mining rose 14 cents to A\$5.38 on higher gold and nickel prices.

Coles Myer, the retailer, added 4 cents to A\$8.30; it later warned that first-half profits could fall by up to 10 per cent.

SINGAPORE eased after Wall Street's decline and on worries about Tokyo in a session cut to half a day before the new year break. Alternate bargain-hunting and profit-taking left the Straits Times Industrial Index down 7.02 to 1,489.58, for a fall of 2.5 per cent on the week.

Turnover was moderate, with 56.6m shares traded compared with 40.3m in the morning on Thursday.

KUALA LUMPUR rose in a half-day session, with the composite index up 2.55 to 562.95.

SOUTH AFRICA

JOHANNESBURG rose in quiet trading, with gold shares firming after the previous day's mixed performance. Vail Reef gained 22 to R245 and Kloof rose R1.25 to R46.25.

West Germany brightens the week

A MIXED day on the Continent ended a generally depressing week for continental bourses, but the strong appeal of the West German market attracted investors to beat the trend, writes *Our Markets Staff*.

FRANKFURT played with rumours about Japanese investment and domestic take-over plans, moved money from sector to sector and saw no initial impact on equities from the opening of the German Futures Exchange (OTB).

After a 3-point rise to 751.04 in the FAZ index at mid-session, leaving it 1 per cent higher on the week, the DAX closed 6.55, and 1.3 per cent better, at 1,794.14. Volume rose from DM7.5bn to DM7.7bn as bulk spread of a new German country fund for West German equity investment.

Once again, Veba led the active stocks list, up DM5.80 to DM438.80 in turnover rising from DM688m to DM1.2bn. Brokers noted that fashion was moving from banks to utilities: RWE rose DM7 to DM47.70, for a two-day gain of DM19.20, and Viag DM5.50 to DM39.50.

However, there was also a story that Veba would sell its 46 per cent holding in Feldmühle to Westdeutsche Landesbank which, in turn, would sell a large stake in Preussag/Salzgitter to Veba. Preussag gained DM17 to DM387.

In banks, Deutsche Bank fell DM4.50 to DM814 and Commerzbank lost DM3.50 to DM294.00.

PARIS rallied towards the close, but still ended down; the CAC 40 index finished at 1,596.75, or 6.48, after opening at 1,578.35. The index was 3 per cent lower on the week.

There was a feeling that the worst was now over, which attracted some bargain-hunting, said one analyst. Turnover remained modest, estimated at between FF2.2bn and FF2.5bn. Peugeot gained FF20, or 2.7

insurer's shares were held by a group of stable shareholders.

ZURICH fell 2.9 per cent on the week, with the Credit Suisse index down 1.1 to 585.0 in very thin trading. Depressed about domestic interest rates, it has seemed ultra-sensitive to declines in Wall Street, and less responsive to good news.

MILAN's Comit index fell 3.20 to 683.33, down 1.7 per cent on the week.

ATHENS hit a record, with the general share index up 1 per cent at 530.53, passing the previous high of 527.71 set on October 2. The bourse has risen this week on active demand from foreign and domestic investors for newly listed shares.

ened by demand for telephone company shares, on speculation that JTAS would be able to stop the Government from taking its right to redeem shares at 1.1 per cent. The current value below market value next year. JTAS gained 44 per cent to DKR410 before the close, while KTAS ended DKR37 higher at DKR220. The bourse index eased 1.46 to 362.21, a fall on the week of 1.3 per cent.

MADRID declined on worries about the current performance of Wall Street, as well as longer term fears of higher inflation and a weaker peseta. Unions are asking for wage rises of up to 10 per cent, compared with government predictions of inflation of about 5 to 5.5 per cent this year.

The general index lost 2.52 to 276.61, a 3.3 per cent fall over the week.

AMSTERDAM eased in quiet trading, with the CBS tendency index slipping 0.4 points to 111.1, a fall of 2.2 per cent since the previous Friday.

NetNet, the insurer, which has most of its business in the Netherlands, fell 80 cents to FL70.1 on fears of heavy claims for hurricane damage. Insurers with more internationally based activities were less affected.

STOCKHOLM was little changed in quiet trading before Monday's threatened lock-out of bank staff. The Affarsvarden General Index rose 1.4 points to 1,233.9, 2.2 per cent lower on the week.

per cent, to FF749 in fairly good volume. The stock was regarded as undervalued, while sales of good cars and the success of new models also drew interest. The biggest loss was in Michelin, down FF11.50 at FF157, in the day's most active trading.

BRUSSELS was 18.74 higher on the day and 3.8 per cent lower on the week as the cash market index ended at 6,933.52. SGB jumped BF76 to BF3,370 in heavy volume following a report that it was negotiating to sell a stake in its Aco-Union Minière unit to RTZ, the UK-based mining group.

Trading in Aco-Union and its copper refining division, Hoboken, was suspended, although SGB denied the report. Elsewhere, Groupe AG dropped BF400 to BF10,175 after Thursday's announcement that 81 per cent of the

on the week. News of a management restructuring at Fiat came too late to affect the shares, which, in a week marked by good results from the group, fell another 1.10 to L10,680.

HELSINKI's forestry shares helped it to a healthy rise in moderate turnover of FM217m. The Unitas all-share index advanced 25.9 points to 682.2, up 4 per cent on the day and 4.4 per cent on the week.

United Paper Mills ordinary restricted shares surged FM30, or 13.6 per cent, to FM250 and its preferred trees rose FM10 to FM180. Metsa-Seria said it had raised its stake from 25 per cent to about 30 per cent and wanted to talk to the company and its shareholders to calm the atmosphere. Rauma-Repsa said it had increased its UPM stake on Tuesday.

COPENHAGEN was enlivened

by demand for telephone company shares, on speculation that JTAS would be able to stop the Government from taking its right to redeem shares at 1.1 per cent. The current value below market value next year. JTAS gained 44 per cent to DKR410 before the close, while KTAS ended DKR37 higher at DKR220. The bourse index eased 1.46 to 362.21, a fall on the week of 1.3 per cent.

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LONDON SHARE SERVICE

BRITISH FUNDS									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
Index-Linked									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
"Stars" (Lives up to Five Years)									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
Five to Fifteen Years									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
Over Fifteen Years									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
CORPORATION LOANS									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
COMMONWEALTH & AFRICAN LOANS									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
LOANS									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
Building Societies									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
Public Board and Ind.									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
FOREIGN BONDS & RAILS									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
AMERICANS									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low
CANADIANS									
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81
High	Low	High	Low	High	Low	High	Low	High	Low

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

INTERNATIONAL AND REGIONAL MARKETS		THURSDAY JANUARY 26 1990						WEDNESDAY JANUARY 25 1990						DOLLAR INDEX	
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's Change %	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low				
Australia (84)	148.29	+0.6	132.08	125.75	+0.7	5.26	147.44	123.04	128.86	180.41	128.28				
Austria (15)	206.50	+1.1	184.78	181.34	+1.5	1.42	204.30	182.97	178.78	219.85	92.84				
Belgium (61)	148.73	+0.8	125.08	120.59	-0.4	4.32	148.21	125.08	129.95	160.02	125.56				
Canada (120)	148.29	+0.6	122.08	125.75	+0.7	5.26	147.44	123.04	128.86	194.17	124.67				
Denmark (36)	242.89	+0.4	217.32	215.80	+0.0	1.47	243.92	215.89	220.34	265.51	165.51				
Finland (26)	145.64	+0.9	130.31	121.73	-0.6	2.36	148.97	131.82	122.37	159.18	118.68				
France (126)	149.18	+0.5	135.48	134.14	+0.6	2.81	148.40	132.90	133.39	157.97	112.57				
West Germany (96)	124.63	+2.0	111.51	109.34	+2.1	1.82	122.17	108.41	107.12	130.52	78.56				
Hong Kong (48)	113.70	+0.5	101.73	114.04	+0.5	5.00	114.13	101.32	118.47	140.38	74.39				
Ireland (17)	107.48	+1.7	178.69	177.52	+1.9	2.43	104.27	173.98	174.78	196.57	125.00				
Italy (89)	85.43	+0.4	88.07	82.27	+0.4	9.89	88.47	82.61	101.11	74.57					
Japan (457)	183.70	+0.9	164.88	167.87	+0.3	0.48	182.02	163.01	167.21	200.11	164.22				
South Korea (30)	137.70	+0.3	129.52	129.52	+0.3	2.87	136.45	129.52	129.52	143.91	123.21				
Mexico (13)	103.71	-1.0	292.59	964.84	-1.0	0.54	330.39	295.88	974.69	330.02	153.32				
Netherlands (43)	135.79	+2.2	100.56	117.79	+1.2	4.56	134.21	120.19	118.41	145.86	110.03				
New Zealand (18)	69.90	+1.2	92.34	92.34	+1.2	5.65	69.90	92.34	92.34	88.18	69.90				
Norway (24)	225.73	+2.0	120.35	168.43	+2.2	4.55	208.54	186.78	194.61	219.65	139.92				
Portugal (26)	161.89	-0.4	162.75	167.29	-0.3	1.66	162.66	169.59	167.83	169.94	124.57				
South Africa (60)	225.08	-0.9	201.89	164.27	-0.9	1.95	227.10	205.38	165.78	229.41	115.35				
Spain (33)	163.05	+0.1	139.94	127.08	+0.4	1.17	163.23	137.22	165.73	169.73	143.14				
Sweden (35)	152.17	+1.7	171.94	175.38	+2.0	1.85	188.38	169.25	171.52	200.95	136.45				
Switzerland (82)	94.27	+0.8	84.34	85.93	+0.3	2.06	93.50	83.73	86.89	99.12	87.81				
United Kingdom (308)	155.00	+0.5	138.89	138.69	+0.4	4.58	154.20	138.10	138.10	164.31	113.23				
USA (542)	132.04	-1.3	111.16	132.04	-1.3	3.57	135.72	119.75	133.72	146.29	132.18				
Australia (89)	156.03	+0.7	124.84	123.89	+0.7	3.45	136.62	124.14	128.00	145.66	112.63				
Canada (121)	188.69	+0.7	166.72	163.70	+1.1	1.74	189.29	166.63	162.06	198.12	137.56				
France (123)	160.88	+0.5	140.15	140.15	+0.5	1.74	160.88	140.15	140.15	160.88	137.56				
Pacific Basin (687)	79.75	+0.8	66.64	148.10	+1.0	1.77	182.83	145.56	144.44	174.16	141.56				
Japan (456)	132.44	-1.2	118.30	131.36	-1.2	3.55	134.09	120.06	132.53	146.66	112.79				
Portugal Ex. UK (283)	132.97	+0.9	115.34	114.72	+0.9	2.71	127.79	114.44	113.67	140.68	96.20				
Pacific Ex. Japan (612)	128.21	+0.9	118.25	119.95	+0.5	4.81	131.70	117.95	119.41	134.05	111.83				
South Africa Ex. UK (1849)	165.76	+0.7	148.42	148.42	+0.7	1.74	165.76	148.42	148.42	173.17	141.44				
USA Ex. UK (2365)	121.11	+0.1	135.20	142.75	-0.2	2.07	150.95	136.10	142.55	162.00	136.98				
United Kingdom Ex. So. Afr. (2331)	150.98	+0.2	135.09	142.13	+0.1	2.29	150.78	135.01	142.29	161.84	136.87				
United Kingdom Ex. Japan (1839)	136.31	-0.4	121.98	129.29	-0.4	3.56	136.65	122.55	128.78	145.52	114.51				
World Index (2391)	151.43	+0.1	155.49	142.31	-0.1	2.30	151.22	135.43	142.48	162.05	136.68				

ELECTRICALS - Contd | ENGINEERING - Co

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MINES—Contd						
Date	Stock	Price	+ or -	Div Net	C'nt	
989/90 90	Lowe	150	90pl.	-		

Miscellaneous					
47	64 Langley Mining Co	90 v	157		

54	589Grand Ind. Gold	624	25	
55	25Burze Mining 10p.	39	1	
56	194McCollie Res. Cons.	188		0.30c 5.5
57	63Cres. Hill 10p.	17	1	
58	4WDRX Inc.	22 1/2		
59	13 1/2Eaton Ind. 10p.	22 1/2		
60	65Cres. Hill 10p.	19		W. 0.
61	51D. Warrants	22		
62	65Cresce.	22	1	
63	36Greenwich Res.	28 1/2		
64	148Greenfield Gold	58 1/2		0.20c
65	100McMonroe Mining S.	113 1/2		0.20c
66	26 1/2McMonroe Mining S.	42 1/2	1	
67	6WATC C&L Red Lake	14 1/2		
68	100W. S&S Res.	14 1/2		
69	256Northgate C.S.	40 1/2	1	
70	100W. S&S Res.	14 1/2		
71	404ATZ 10p.	52 1/2		115 0 3/4
72	100W. S&S Res.	14 1/2		

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74	Winkler Inc.	100							
75	Winkler Inc.	100							
76	Winkler Inc.	100							
77	Winkler Inc.	100							
78	Winkler Inc.	100							
79	Winkler Inc.	100							
80	Winkler Inc.	100							
81	Winkler Inc.	100							
82	Winkler Inc.	100							
83	Winkler Inc.	100							
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98	Winkler Inc.	100							
99	Winkler Inc.	100							
100	Winkler Inc.	100							

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Francis Ford Coppola: creditors he cannot refuse

Creator of The Godfather goes broke

By Alan Friedman in New York

MR Francis Ford Coppola, the man who made The Godfather, has come up against creditors he cannot refuse.

The 50-year-old Detroit-born film maker, who is currently on location in Italy filming The Godfather Part III for Paramount, has filed Chapter 11 bankruptcy proceedings in bankruptcy court for himself and his troubled Zoetrope Productions film company.

Zoetrope has assets of \$22.2m (£13.4m) and debts of \$23.5m, while Mr Coppola is known to owe personally \$3m to Mr Jack Singer, the Canadian financier who loaned him the funds nine years ago.

At the time the film maker faced his first bankruptcy proceedings and needed cash to keep his private studio alive, Hollywood Boulevard was wondering yesterday whether

Mr Coppola's personal bankruptcy will endanger his home in Napa Valley or his vineyards. However his Academy Awards for the Godfather films are not believed to be at risk.

Mr Coppola is rumoured to be earning a \$6m fee to co-write, direct and co-produce The Godfather Part III, which should help him in his predicament.

Mr Coppola, who first founded Zoetrope in 1968, is a guru to many film buffs and one of Hollywood's most expensive scoundrels. His career includes the writing of Patton and the producing of American Graffiti.

The making of Apocalypse Now, the violent depiction of Vietnam that featured Marlon Brando to fatten up rather more than he had to play Don

Corleone in The Godfather, took five years to make and was released in 1979. However, it was Mr Coppola's \$26m production of One From the Heart in 1981 that proved to be both an artistic and financial failure.

Yesterday, Zoetrope Productions admitted that the bankruptcy filing was designed to protect the company from "protracted legal proceedings" stemming from One From the Heart, a glibly musical set in the streets of an imaginary Las Vegas which was built at enormous expense on a Hollywood studio lot.

Orion Pictures, which distributed Mr Coppola's incredibly lavish production of Cotton Club in 1984, is listed in the bankruptcy filing as a creditor that is owed \$8.2m.

The burly Mr Coppola, who is said to be a chronic over-eater, could not be reached in Rome for comment last night. Hollywood insiders believe that he was probably savouring a large plate of pasta.

In Los Angeles, Mr Harry Klein, a spokesman, said that while he could not discuss details of the bankruptcy he was sure that Mr Coppola would be eating well.

"We all have to eat and get to the next day," Mr Klein explained before disclosing that "anything that touches the palate is good for Mr Coppola."

Nato studies options among proposals for further arms control in Europe

British and French troop cuts in West Germany considered

By David White, Defence Correspondent

NATO military officials are drawing up options for further stages of arms control in Europe that would include cuts in British and French troops in West Germany.

This is in spite of the stated reluctance of both London and Paris to the idea of an automatic continuation of arms reductions after the expected signing in Vienna this autumn of the Conventional Forces in Europe (CFE) treaty.

Britain and France have insisted, officially, that their 120,000 troops in West Germany be kept out of the negotiating process.

However, staff from both countries are participating in an analysis being co-ordinated by the Technical Centre in the Hague of the Supreme Headquarters Allied Powers Europe (SHAPE) on wide-ranging troop reductions.

The centre reports to Gen. John Galvin at SHAPE in Mons, Belgium, who is responsible for organising Nato's European-based forces.

Proposals tabled in Vienna involve cuts of between 5 per cent and 15 per cent in major categories of Nato weaponry, against much larger reductions by the Warsaw Pact. On troop levels, the only Nato proposal is to reduce the US forces stationed in Europe by 10 per cent to 275,000, on condition that the Soviet Union reduces its

own foreign-based troops to the same level.

The firmness of the Nato line was shaken on Thursday when Belgium said it was studying withdrawal of troops from West Germany, where it has 26,000, and the Netherlands announced plans to pull back part of its 5,500-strong force in 1991 and 1992.

Work being done at the SHAPE Technical Centre envisages two subsequent stages in the Vienna process, CFE 2 and CFE 3.

US is understood to be thinking of a 50 per cent reduction in its troops in Europe

The French and British governments have been reluctant to talk of a CFE 2. Both argue that a pause is needed after the first CFE agreement and that rushing into further cuts might jeopardise stability. Nato experts say a CFE 2 would certainly affect their force numbers.

A senior US military officer in Nato said he believed a Vienna agreement would "automatically" lead to a CFE 2 stage.

US planners are understood

to be thinking in terms of a 50 per cent reduction in their troop levels in Europe in about 1995.

The US officer also said that a conventional arms pact would also automatically trigger negotiations with Moscow on reducing US and Soviet short-range nuclear missiles based in Europe.

Britain strongly opposed the nuclear negotiations before accepting a compromise at last May's Nato summit, which pegged any such talks to a successful outcome of CFE.

However, recent signals from Moscow have indicated a rapprochement with Nato over the need to retain some nuclear weapons.

US short-range missiles are deployed with five other Nato armies, including Britain's. France has its own short-range and intermediate-range weapons.

The emerging Anglo-French axis in favour of a slower arms control approach now appears increasingly isolated within Nato.

A top West German government official, addressing military chiefs at a Nato Northern European Command seminar this week, referred to the current Vienna talks as being only "the first round." He said there remained a "substantial presence" of US forces on the continent

but foresaw further reductions. More than 60 per cent of US forces in Europe are now based in West Germany.

Britain has the second largest stationed force in West Germany, with just under 70,000 army and RAF personnel.

West Germany is planning to reduce its 490,000 active personnel to 400,000 in the wake of a Vienna agreement, mainly through lower conscription. It aims to keep its 12 army divisions but to reduce the number of units in all services, including the number of ships in its relatively small navy.

Nato's newly-extended High Level Task Force, which is working on the distribution of CFE reductions between allies and the possible transfer of some modern weapons to less well-equipped armies, is due to hold its second meeting early next month. Detailed plans are expected to materialise this spring.

However, some allied officials doubt whether combat aircraft and helicopters can be included in the initial agreement as proposed by both sides.

Both British and French officials believe that their call for a pause in arms cuts will be aided by Soviet assessments of the time needed to carry out massive withdrawal and demobilisation, and to absorb the social impact.

Gales death toll rises to 85 across Europe

By Richard Evans

THE NUMBERS killed in the storms that tore across southern Britain on Thursday rose to at least 85 yesterday as it swept across continental Europe.

Initial estimates of the cost of the damage done by the storm, one of the worst of the century, are at least £1bn in the UK alone but the total could match or exceed the £1.3bn caused by the gales of October 1987.

Insurance chiefs pointed out that although the force of Thursday's storm and the damage done was less intense than in 1987, the area affected was much wider and people and vehicles were more vulnerable because the storm reached its peak in daytime.

About 300,000 households throughout southern Britain, including more than 100,000 in the south-west, were still without electricity last night and industry chiefs warned it could be several days before power was restored because of the scale of the damage to overhead lines.

As the hurricane-force winds left the UK yesterday, leaving 46 dead in England and Wales, they swept across the Netherlands, where 19 were killed, Belgium, where seven died, and northern France and West Germany where a further 13 died.

As the storms headed for the Baltic and the Soviet Union, they appeared to be losing force.

The Forestry Commission estimated that at least 3m trees had been lost in the storm, which compares with the total of 15m uprooted in 1987.

Most rail services were getting back to normal by last night, although British Rail warned that services would continue to be disrupted for several days on a few lines because of fallen trees and damaged overhead power lines.

Mr David Hunt, local government minister, announced in the Commons that the Government would give cash help to councils under the so-called Bellwin rules, which allow for 75 per cent of repair costs to come from central funds after the equivalent value of a 1p rate increase has been met by local authorities.

The pledge of substantial amounts of money was welcomed by some local authority organisations, but Labour-led councils, backed by Mr Bryan Gould, shadow Environment Secretary, called for more generous provision as authorities were already fully stretched by the costs of introducing the poll tax.

Although the Meteorological Office gave prior warning of the gales, some MPs expressed concern that people were insufficiently prepared. They advocated a more effective warning system that would alert local authorities and emergency services. Billion pound trail of death and destruction, Page 4

CHIEF PRICE CHANGES YESTERDAY			
FRANKFURT (Dm)			
DLW	715	+	5
KWD	438.8	+	8
Deutsche	204	+	6
MAN	214	+	8
VEW	217	+	3
NEW YORK (\$)			
Rice	23 1/2	+	1 1/2
New Germany Pd	37 1/4	+	1 1/4
Philippine	28 1/2	+	2 1/2
US 7 & 7	22 1/2	+	1 1/2
Clitoris	8	+	1
Texas Air	152 1/2	+	5 1/2
UAL			
New York prices at 12.30.			
LONDON (Pence)			
BAA	381	+	3
BP	541	+	11
Cable & Wire	760	+	14
Carlton Comm	29 1/2	+	2
Coleridge	501	+	10
Cowan de Groot	43	+	3
Enterprise	632	+	10
GKN	622	+	14
Grand Airl	598	+	14
LASMO			
Leigh Int	549	+	8
Redland	558	+	8
Standard	535	+	28
TSS	149	+	15
Ultramar	375	+	16
Vival	728	+	25
Wetzel	280	+	9
Woolworth	256	+	7
YSEL	291	+	9

WORLDWIDE WEATHER			
Algeria	17	25	17
Amman	19	26	19
Amsterdam	7	15	7
Athens	14	21	14
Bahrain	16	24	16
Bangkok	18	26	18
Berlin	10	18	10
Bombay	13	21	13
Buenos Aires	11	19	11
Calcutta	12	20	12
Canton	15	23	15
Cebu	16	24	16
Colon	17	25	17
Dacca	18	26	18
Dhaka	19	27	19
Hong Kong	20	28	20
Kuala Lumpur	21	29	21
London	12	20	12
Los Angeles	13	21	13
Manila	14	22	14
Medan	15	23	15
Mumbai	16	24	16
Nairobi	17	25	17
Rangoon	18	26	18
Seoul	19	27	19
Singapore	20	28	20
Taipei	21	29	21
Tokyo	22	30	22
Yokohama	23	31	23

WORLDWIDE WEATHER			
Algeria	17	25	17
Amman	19	26	19
Amsterdam	7	15	7
Athens	14	21	14
Bahrain	16	24	16
Bangkok	18	26	18
Berlin	10	18	10
Bombay	13	21	13
Buenos Aires	11	19	11
Calcutta	12	20	12
Canton	15	23	15
Cebu	16	24	16
Colon	17	25	17
Dacca	18	26	18
Dhaka	19	27	19
Hong Kong	20	28	20
Kuala Lumpur	21	29	21
London	12	20	12
Los Angeles	13	21	13
Manila	14	22	14
Medan	15	23	15
Mumbai	16	24	16
Nairobi	17	25	17
Rangoon	18	26	18
Seoul	19	27	19
Singapore	20	28	20
Taipei	21	29	21
Tokyo	22	30	22
Yokohama	23	31	23

C-Cloudy, D-Foggy, F-Fog, G-Fog, H-Hazy, R-Rain, S-Snow, SI-Sleet, SN-Snow, T-Thunder, T-Thunder, T-Thunder

BANGKOK 28° 82° Sunny

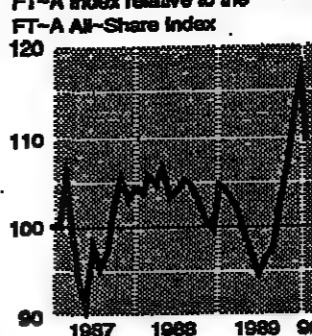
Fly Thai 01-499 9113

The trade winds change course

FT Index rose 16.0 to 1,851.5

Insurance composite

FT-A Index relative to the FT-A All-Share Index



The November trade figures look to be the first unambiguously good news the market has had for quite some time. The relative calm with which they were received suggests the monthly series may be losing its terrors and that the narrowing of the trade gap is finally being taken on trust. An erratically bad figure could still prove tricky; but for this year as a whole, the market is starting to think that Mr Major's forecast of a \$15bn deficit - compared with last year's \$20bn - is a conscious overestimate.

The striking aspect of the figures was the strength of exports; in the final quarter, volume was up 15 per cent on the year before. A similar performance this year seems almost guaranteed, given sterling depreciation and the likelihood of growth holding up in continental Europe and West Germany in particular. The import performance is less clear-cut, with fourth quarter volume still up 3 1/2 per cent on a year ago. But there is a hint of destocking in the fall in imports of basic materials. If this is confirmed in the next month or two by weakness in finished goods, the threat of higher base rates may well be lifted.

Whether a rate cut is in prospect is another matter; the forecast \$15bn is still an unconducibly large number. But for the time being at any rate, it looks as if the market can take its mind off the domestic economy and concentrate on worrying about the collapse in international bond markets. Even there, with luck, some kind of recovery may be on the way.

US economy

The pace of slowdown in the US economy in the last quarter of 1989 is no surprise, but the strength of stock-building and weakness in consumer demand is worrying. Last year's growth of 2.4 per cent was the lowest since the 1982 recession. While growth in 1990 overall is likely to be lower still, Wall Street is banking on corporate profits starting to recover after the current quarter. But manufacturers are not going to countenance rising stock levels in the face of falling consumer demand for much longer. Final sales demand has to start increasing again if a recession is to be avoided.

The events of the past month have shown that the Fed has little room for manoeuvre. Its concerns about the health of some big players in the finan-

the big bid from Europe is just around the corner. But though rationalisation of the sector looks likely at some stage in the early 1990s, for the moment the story looks tired. Unless Axa-Midi calls it a day with BAT's Farmers, and turns on GRE, it is hard to see exactly who will be doing the bidding. Of the French state-owned insurers, GAN and AGF have been buying small, or medium-sized unquoted companies; and even the smallest composite, GRE, would cost at least £1.6bn, probably a lot more.

True, the sector's yields have their appeal, given 1989's double digit dividend growth; the dearest stock, Sun Alliance, yields about 5.2 per cent. But look at the fundamentals. In the US, property/casualty insurers are not feeling enough pain yet to have to end three years of price cutting; and in the UK, blood is flowing in the motor market, as high interest rates keep premiums at unprofitable levels. Skimping on loss reserves - something we can expect from some composites in 1990-91 - may mask the damage for a while; but the underwriting cycle always gets you in the end.

Tranwood

Mr Peter Earl has never been frightened of surprising the market; so for his company Tranwood to substitute debt for equity at this level of interest rates is par for the course. The deal offers a premium to shareholders, who may be scratching their heads over its claimed attraction; they are being offered three types of paper, which may have limited liquidity, instead of their quoted beta stock.

The unsecured loan notes will be quickly bought back by the company, at a price yet to be revealed, with the intention of enhancing earnings per share. Investors will be left with a mixture of ordinary and convertible preference shares designed to appeal, like a split-level trust, to both capital and income seeking holders.

Tranwood argues that its fee income stream should be more than adequate to meet the preference dividends. The reconstruction should thus rescue a share price which has underperformed the All-Share by 25 per cent since August, and enable shareholders to gear up their investment in a company which yesterday produced 42 per cent earnings per share growth. Judging by the modest rise in yesterday's share price, shareholders are waiting to read the fine print.

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BBC plans cuts Continued from Page 1

while its costs increase at a faster rate.

Mr Checkland said: "We have to be able to make ourselves more competitive in every respect both in pay and in programmes."

He said the financial package would enable the BBC to keep all its existing programme services going until the renegotiation of its Royal Charter in 1996, with a licence fee indexed to retail prices.

BBC management and governors accepted most of the options put forward by a committee chaired by Mr Ian Phillips, the BBC finance director.

Mr Phillips said: "We felt that radical solutions were necessary and most people agreed. There was a distaste for salary-type cuts [equal across the board]."

As a result, BBC national radio will stay in Broadcasting House, although the possibility of moving the BBC World Service to the west London site in the late 1990s will be explored.

Other cuts include: 55m productivity saving in news and current affairs, £12.5m savings in regional broadcasting and 54m savings in engineering.

There will also be a further reduction of at least 10 per cent and a freeze on recruitment of

head office staff who now number 1350, compared with 4,500 in 1983.

Mr Checkland also promised increased devolution of responsibility to the individual directorates, such as of television and radio.

Mr Checkland warned, however, that the cuts arising out of the work of the Phillips Committee were in addition to inevitable staff cuts resulting from the growth of independent production.

The Government has told both the BBC and ITV companies to put out 25 per cent of their production to independent.

Weekend FT

SECTION II

Weekend January 27/January 28, 1990

As New York emerges richer and glitzier from a decade of growth, the new mayor faces a mounting crisis of poverty and mismanagement.

Anatole Kaletsky reports

THE SCENE is the main square of Gotham City. Mysterious fumes are rising from beneath the pavements. The air is thick with palpable aggression. Cathedrals of commerce loom over the city blocking the midday sun. Their gargoyles ooze a kind of slime which seems to symbolise the city's fifth and final defeat. It is the pivotal moment of the movie *Batman*.

"I swear that I will make this city safe again for decent people to live in," thunders the Mayor of Gotham City, a look-alike of New York's former mayor Ed Koch. It is the usual bombastic outburst, an impotent reaction to the latest criminal outrage by The Joker's sadistic thugs. Cut to The Joker. He turns with a feline grin from his TV set and murmurs confidentially into the camera: "Decent people shouldn't live here. They would be happier somewhere else."

What Tom Wolfe's novel *Bonfire of the Vanities* was to the vainglorious New York City of the 1980s, *Batman* could well become in the dark decade which many New Yorkers now see ahead.

Ed Koch is mayor no longer. This month he was replaced by David Dinkins, the first black mayor of America's largest city, but in other respects an old-fashioned Democratic machine politician in the Tammany Hall mould. Whether he can keep New York a place for "decent people" to live in is the essential challenge facing the new mayor. He inherits from Koch not so much a city as a collection of urban crises. While the same might have been said of every previous New York administration, the challenge that Dinkins has taken seems to contain more poison than ever.

It is a platitude that New York has become the ultimate city of extremes. It has been called a "rain forest society," where the rich live high up in their skyscraper styles, rarely venturing down to the streets. Meanwhile, the poor, the criminal, the homeless and the insane scuffle around in the undergrowth below, scavenging and fighting a Darwinian battle for survival. Unless Dinkins can make New York safe, comfortable and attractive again for middle-class families the process of disintegration will continue, as the twin cities of wealth and poverty drift further apart into their mutually antagonistic worlds.

For the past 10 years, New York has enjoyed the greatest economic boom in its history. At the end of this period, of unprecedented prosperity, the Treasury is empty and the city is in a state of physical and social decline. For this, New York has only itself and its byzantine political system to blame.

By every economic measure, the 1980s should have been New York's golden decade. Employment in the city, for example, rose by an average

of 10 per cent or 34,000 new jobs each year in the 1980s. This was by far the highest job creation rate in any 10-year period on record and a spectacular contrast with the 1970s, when New York's employment fell by 53,000 a year.

It wasn't just a question of the unstoppable bull market on Wall Street. Financial deregulation, the US Government's international borrowing, the growing demand for advertising, management consultancy, accountancy and legal services, even the booming art market — each of these trends of the 1980s played into the city's hands, reinforcing its worldwide positions of leadership in all these fields.

But while many New Yorkers prospered they let their city and its poverty-stricken underclasses crumble. This is true not only of the city's roads and sewers, but also of the beggars sleeping in ragged piles through which New Yorkers have to pick their way to work.

Today, it hardly makes news when New York's physical infrastructure collapses. Water mains break, cutting power supplies and telephone services to hundreds of homes and offices for weeks. Underground steam pipes explode, showering apartments with asbestos and forcing evacuations of city blocks.

More disturbing to most New Yorkers than the deteriorating infrastructure have been the city's social problems. Crime, homelessness and race have long overtaken condominium prices, taxi accidents and AIDS as the main topics for small talk at dinner parties.

The middle class has only a passing interest in the aggregate murder rate, running at 1,900 homicides a year, or 5.3 a day, since nearly all the killings are in the ghettos. But a regular diet of race-related killings — in both directions — has kept the tabloid newspaper readers' paranoia well fed. Meanwhile, occasional statistical oddities — such as the murder of three people in one weekend within 100 yards of this writer's front door — keep affluent New Yorkers on their toes and remind them about The Joker's advice to "decent people."

The beggars have turned homelessness into a universal obsession, especially since a significant minority of the homeless are mentally deranged and can be dangerously volatile. As Dr Ian Robertson, an international sociologist who has lived in New York for 16 years observes, the homelessness and ever-present fear of violence has added to the unenviable demographic forces converging on the city.

"The trouble with New York, as well as its great delight, is that it is so compact. Los Angeles is also a city of Them and Us. But in New York, we cannot insulate ourselves from Them. They can get to you in 15 minutes on any subway. Usually they can even walk to where you live."



The cankered apple

Meanwhile, to the embarrassment of many patriotic New Yorkers, to say nothing of the outgoing Koch administration, the *New York Times* has been using the general heading "New Calcutta" over a series of editorials denouncing the city's policies towards the homeless. One of the more bizarre of these is to bus hundreds of homeless people every morning from night shelters in the suburbs, and then disgorge them for the day to beg on the Bowery, the city's traditional skid row. These services apparently end up costing the city \$1,000 a month per person accommodated — enough to rent a comfortable studio or one-bedroom flat almost anywhere in the city.

But even after this kind of softening-up, many New Yorkers were taken aback last week after the widely publicised article published in the *New England Journal of Medicine* about health conditions in Harlem. This showed that a boy born in Harlem today could expect to die sooner than a boy born in Bangladesh. It seems that the life expectancy of men in Harlem is down to 51 years — a year less than the expected longevity of male Bangladeshis and 21 years lower than an average male lifespan in the white neighbourhoods of New York.

Dinkins says he is horrified at such statistics and has promised to

improve health provisions in Harlem, South Bronx and other ghettos. Unfortunately, the real challenge he seems to face is not how to improve the city's health system, or its police force or its sewer network, but how much further to allow them to deteriorate. For if New York could not afford decent public services in the 1980s, it certainly won't be able to pay for them in the years ahead.

As Edward Regan, the New York State Comptroller, noted: "While the needs of the city continue to increase dramatically the new mayor will be faced by a lack of new resources to meet the demands. The 12 years of the Koch administration coincided with a great resurgence of New York City's economy. Unfortunately for the next administration, their watch is starting just as the local economy has clearly begun to falter."

In fact, the New York economy began to falter after the stock market crash of 1987. In that year the city's job creation hit its peak of 83,000. In 1988, cuts on Wall Street, combined with steady shrinkage in manufacturing and slower growth in other business services, led to a net loss of 5,000 jobs. Last year there was a small rebound, but

growth remained at a relatively feeble 17,000 jobs.

The downturn in New York's economic fortunes has led to a sharp rise in unemployment, which stands above the US average, at 5.6 per cent. More significantly for Dinkins, the city's spectacular revenue growth of the 1980s has ground to a standstill — presenting him with an inaugural present of a \$1.3bn deficit in the city's \$26bn budget, which he will have to balance through tax increases or spending cuts before the middle of this year.

Budgetary constraints are likely to force Dinkins to backtrack on many of his campaign promises to help the poor and deal with New York's social problems.

He said he would use the next four years "to restore the government's capacity to meet the needs of all New Yorkers," and that he still hoped to make "small, but meaningful progress towards meeting challenges such as those presented by drug abuse, AIDS and homelessness."

The first clues on how Dinkins hopes to achieve these aims will be disclosed next week, when he publishes a preliminary financial plan for 1990. The indications so far suggest that he will confine himself to relatively small-scale tinkering with existing programmes, hoping

that something will turn up to allow him to take more constructive initiatives later on in his four-year term.

Yet there remains the possibility that Dinkins may consider a radical alternative — to squeeze far more services out of the city's enormous budget, even within existing revenue constraints. Reforming New York's bureaucracy and streamlining its system of public sector management would be the most constructive way to deal simultaneously with budgetary pressures and social crises. On this the city's business community is agreed, but so are many individual New Yorkers, including even those with generally left of centre and pro-union views.

Bureaucracy, political cronyism and power-broking by vested interests have been allowed to run riot in New York.

To many New Yorkers, the Buildings Department, which must approve all construction projects, stands as a symbol of bureaucracy and waste. Indeed, a special provision exists in New York with the sole function of steering building projects through the department. Known as "expedients," these people are mostly former Building Department employees, with "knowledge" and "contacts" on the inside. No architect or builder in

New York will undertake a project without an expediter's support.

Because of bureaucratic obstacles like these, the costs of doing business, or even simply living in New York, are higher than they need be. It costs 30 per cent more to build a home in New York than an identical one in New Jersey, mainly because of "extraordinary public impositions and the complexity of public permitting and approval processes," according to a special private sector task force established by Koch last year to advise on managerial improvements.

But what should be of even greater concern to Dinkins is the cost to the government of the extraordinary levels of bureaucratic duplication and over-manning. The same task force report identified \$3bn in savings over five years which could be achieved by improving management methods, adopting cost-benefit analysis for capital investment and simplifying procedures for public contracting. In several cases, the task force said that the city could actually save money by raising capital investment and improving working conditions for middle-ranking employees.

Mayor Koch's private sector task force did not even consider general issues of over-manning. But many New Yorkers believe that eliminating layers of administration and duplication of effort is where the really big economies could lie. The education department, for instance, employs 115,000 people, including 5,200 full-time administrators in its Brooklyn head office, to teach 940,000 pupils at 1,000 schools.

The city hospital system seems also to be overlaid with excess administration. As Dr Colin McCord, the Harlem doctor who wrote the *New England Journal* study pointed out, Harlem Hospital already "has a bigger annual budget than the entire nation of Mozambique — we've got to look for new solutions."

Dinkins is himself a quintessential product of the interaction between New York's political and bureaucratic systems, having served in government sinecures such as the Board of Elections and the City Clerk's office for much of his career. He is close to the city's unions, as well as to the city's thousands of grass roots politicians or "ward healers," who are the main beneficiaries of extremely complex planning mechanisms and large bureaucracies, where political appointees can be placed.

Admittedly Dinkins has indicated strong support for the private sector task force. In references to health he has stressed cost-effectiveness and preventive medicine, rather than capital-intensive acute care. His New Schools Chancellor, Joe Fernandez, has dubbed the education department's Brooklyn headquarters "Fat City" and promised to eliminate redundant jobs.

None of these hints suggest that New York's bureaucracy is about to be swept by a Thatcher-like whirlwind. Yet if the economists are right about the approaching period of comparative hardship, a whirlwind in the bureaucracy may be just what New York needs.

The Long View

If all else fails, blame the Germans

THE FOLLOWING memorandum bearing the initials J.M. was found blowing around Whitehall during this week's gales. It gives the address 11 Downing Street but its authenticity is unproven.

Dear P.M.

You asked me to put something down on a piece of paper regarding strategy post-Chernobyl and pre-Budget, and I am happy to do so, although there is nothing here that we have not discussed verbally at length.

Basically, I have been busy trying to refine the alternative strategy which, for want of a better expression, I shall call the "sleight-of-hand" approach. It still looks highly risky, but it offers a sporting chance of gaining a decent majority at the next election.

The "overkill" strategy was being pushed strongly, both by the Treasury and by some in the party, when I became Chancellor, but you judged that the electoral consequences might be grim and, of course, I support you fully in that.

To recap, that strategy was to force a sharp recession in 1990, then relax in 1991 and, after a giveaway Budget in 1992, go to the country in May that year.

The snag was that the recession would have to be triggered by a genuine credit squeeze, which would have caused a house price collapse and/or by rises in income taxes, which would have destroyed our tax-cutting credibility. In any case, to wait until the last possible



Barry Riley
Distorted statistics may be misleading but they can sometimes have their uses all the same, especially for hard-pressed politicians...

moment for a poll would be asking for trouble.

The difficulty with any alternative approach was always going to be inflation. Whatever we do now, underlying inflation is going to keep rising. It could easily be more than 8 per cent in two years' time, even in fairly soft economic conditions. But we cannot afford published inflation to be

more than 5 per cent at the election.

I am grateful for your warning last autumn to go easy on the excuses about how the published RPI figure has become misleading over the last year because of distortion by higher mortgage rates.

As you pointed out, our election prospects rest almost entirely on our ability to get that distortion working at maximum strength in our favour at the right time.

Also, it has been appropriate subtly to re-prioritise and de-emphasise the fight against inflation. I think you have accepted my view that most people actually like inflation, at least when their wages are rising faster than prices. They certainly like it when their house prices are rising.

That's why a vague phrase such as "bear down on" is so useful when talking about inflation. We certainly do not want to "lick inflation now," as the Americans used to put it so crudely.

Now for the strategy. I think I can keep interest rates steady at 15 per cent. Sterling might weaken a bit but the trade figures should improve over the next few months.

The building societies say they may have to raise their rates, anyway, but that is not an unmitigated disaster: we can blame them for hurting home-owners and, in fact, the higher the mortgage rates go short-term, the more scope there will be for them to drop later.

As for the timing, there will

be no point in encouraging any reduction before August because the August RPI figure, published in September, needs to be high.

The aim then will be to concentrate all the benefit of cuts in mortgage rates into the following 12 months, given that the final RPI number to be published before an election early in October 1991 will be that for August. We might need to trim three or four points off underlying inflation but I think that is just about do-able.

'There is the incidental benefit of stealing the clothes of the Opposition'

This brings me to the tricky part. With tax cuts and falling interest rates in the first half of 1991, the economy is going to pick up smartly — but how are we going to hold sterling up?

The only solution will be to enter the Exchange Rate Mechanism of the European Monetary System, and I suggest we should do it about six months ahead of the planned election. I understand all your misgivings about this but we have talked through the advantages, including the incidental benefit of stealing the clothes of the Opposition, and I think you

have come round to my view. In fact, I noticed that you hinted as much in one of your newspaper interviews.

Of course, it isn't quite that simple. The Bundesbank will have a fit at the thought of the UK coming into the ERM with broad money growing at 20 per cent. So, the Germans will have to be squared with promises that we will mend our ways immediately after the election. I will have to leave that to you and the Foreign Office.

Whether we would actually keep our promise to toe the German line after winning the vote is another matter. Our rough calculation at the Treasury is that holding monetary growth down to German levels would knock around £250bn off UK house prices (say 25 per cent, in about two years).

It might be better to leave the ERM again as soon as it has done its job for us. We could easily blame the Germans for being unreasonable — for threatening to do more damage to the UK housing market than the Luftwaffe did in 1940 that sort of thing.

So, there it is. It's a tricky scenario, but I think it hangs together. For the time being, we have to sit tight and blame the inflation on others. Ford (faceless multi-national egged on by greedy unions) makes a good target.

Incidentally, I was rather proud of that "if it isn't hurting, it isn't working" slogan. What do you think of "no gain without pain" or "out of austerity will come prosperity"?

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MARKETS

FINANCE & THE FAMILY: THIS WEEK

Western investors flock to the eastern fold

AS A PRIVATE investor, would you put your money in a country with no stock market, no basic accounting standards, and no investor protection? And would you be willing to take a chance on an uncertain political situation, to say nothing of a rickety local economy and vulnerable currencies? That's exactly the situation in eastern Europe as communism crumbles. But rich Western investors are flocking to put their money where their political loathing once was. Terry Dodsworth and Sara Webb examine the phenomenon. Page III.

Poll tax blow to expatriates

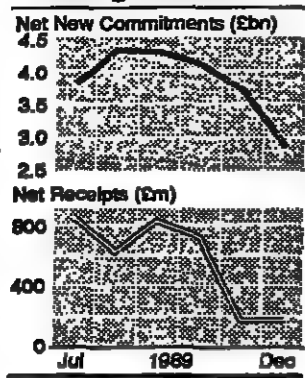
EXPATRIATES WHO think they will escape the UK poll tax simply because they work abroad could be in for a shock. The poll tax, or community charge, comes into force in England and Wales on April 1 and will replace the domestic rating system. But it is not just UK residents who need to be concerned. The tax also has implications for British expatriates who own residential property in England and Wales. Peter Gartland explains why. Page VI.

Brokers raise their rates

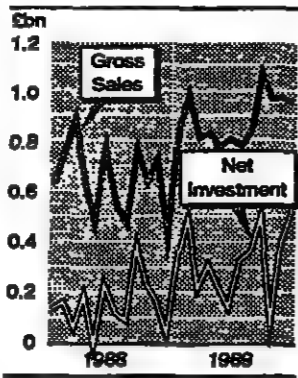
IF YOU have done any share dealing recently, you may have noticed a change in the commission your stockbroker charges. In theory, the cost of share dealing for the private investor should have come down since January 1 with the scrapping of Value Added Tax (at 15 per cent) on stockbroker commissions. But quite the opposite has happened. Stockbroking firms have adjusted their commission structure. In many cases increasing the rates charged — although not necessarily increasing the total cost to the private investor. Sara Webb investigates. Page VI.

■ BRIEFCASE: Why a council had no choice: Page V

Building Societies



Unit Trusts



Unit trust investment peaks in December

THE UNIT TRUST industry finished the 1980s on an optimistic note, with net new investment in December reaching its highest monthly level in 1989 at £510m. This brought total net new investment last year to £3.67bn — double that of the previous year. This, however, is still well below new investment in the boom years of 1986 and 1987. At the same time, the bulk of the increased investment appears to be coming from the institutions rather than private investors. The number of unit-holder accounts at the end of 1989 was only 4.8m, compared with 4.8m in December 1988 and well below the peak of 5.0m at the beginning of 1988. Meanwhile, the number of unit trusts rose to a record 1,379 against 1,255 at the end of 1988 and only 493 in 1980. — Eric Short.

... but building societies are feeling the pinch

NET NEW mortgage commitments by building societies fell in December to £2,585m, the second-lowest level for the year, according to figures released this week by the Building Societies' Association. Gross mortgage lending, before deducting repayments of principal, also declined sharply compared with November, but was still well up in the last three months of the year compared with the June to September period.

Ominous news for borrowers was that net new receipts taken in by societies also dropped in December. Gross receipts fell to £7,544m and, after withdrawals of £7,388m, net receipts were only £176m. The association blamed the low level of receipts on cheques for water shares not being cleared until mid-December, delaying re-investment until January.

However, the societies, who have held their interest and mortgage rates down, now appear to be losing out to the more competitive rates of interest being offered by banks. With the Chancellor holding out no hope of a cut in interest rates for some time yet, societies are believed to be considering raising mortgage rates to a more "realistic" level. — John Edwards.

Abbey moves into France

Abbey National announced this week that it is expanding in the French mortgage market. It has acquired Ficofrance, a French mortgage lending company with offices in cities including Paris, Arras, Lyon, Marseille, Bordeaux, Nice, Nantes, Nancy and Toulouse. It also has an agreement with Monceau, a mutual insurance group, to launch an endowment mortgage in the French market. — Sara Webb.

Fund executives are jailed

JOHN WHEELER, director of the Canterbury-based McDonald Wheeler Fund Management company, which collapsed three years ago, was jailed for eight years at Maidstone Crown Court this week. John Woodall, the company's accountant, was sentenced to 30 months' imprisonment. The judge said Wheeler tricked hundreds of people into parting with their money in some cases their life savings, by wholly bogus brochures and glib talk. Losses involved might exceed £4m. — J. E.

Cheers! The trade gap gets smaller

TO THE MAN on the Clapham omnibus, a £20.3bn balance of payments deficit in 1989 and a December trade gap of £1.1bn may look unlikely causes for celebration. But to a market run ragged by the vagaries of Tokyo and Wall Street since Monday, Friday's trade figures seemed the best news of the week.

A number of analysts had forecast that the December figures could exceed the November shortfall of £1.4bn. As for the annual figure — well, at least it was broadly in line with the Chancellor's £20bn forecast in his Autumn Statement. So, for a few moments yesterday, London observers witnessed that rare 1990 phenomenon — an optimistic block of blue on the Stock Exchange screens — as buyers returned to the FT-SE 100, ignoring a plunge on Wall Street in Thursday's late trading. Footsie ended the day up 24.6 points at 2,314.5, a modest

20.5 points down on the week. The news was enough to lift the FT-SE 100 index back onto the psychological plateau represented by 2,300, although the ease with which the market slipped over the cliff-edge on Monday makes its status as a safe haven seem rather less credible. Indeed, you could be forgiven for wondering if Wednesday's low point of 2,250 — recovering to 2,278.6 at the close — was not a more accurate measure of the rest of the week's news.

Markets opened on Monday to disturbing evidence from the Central Statistical Office of a drop in British manufacturing companies' productivity and a rise in unit labour costs. The news — in statistics to November — was unexpected and fuelled concerns about a triple squeeze on corporate earnings (inflation, wage demands and interest rates) which have been taken up in the US and Japan already. No wonder the lem-

ming seemed to be Rodent of the Week. While bond and equity markets continued pursuing one another around the globe in a downward spiral, at home Government ministers were falling over one another to dissuade unions from trying to match the Ford pay demand.

A majority of Ford manual workers voted to accept the company's two-year pay offer on Wednesday. Whether the 10.2 per cent first-year increase is a benchmark or a ceiling remains to be seen, but a straw poll of Ford workers seemed to suggest that a combination of different Government policies might be having an unforeseen effect on strike decisions. A fair proportion of union members now have mortgages to service (right-to-buy policy); with interest rates as high as they are at the moment (monetary policy), they simply can't afford lengthy, unpaid industrial action (trade union policy).

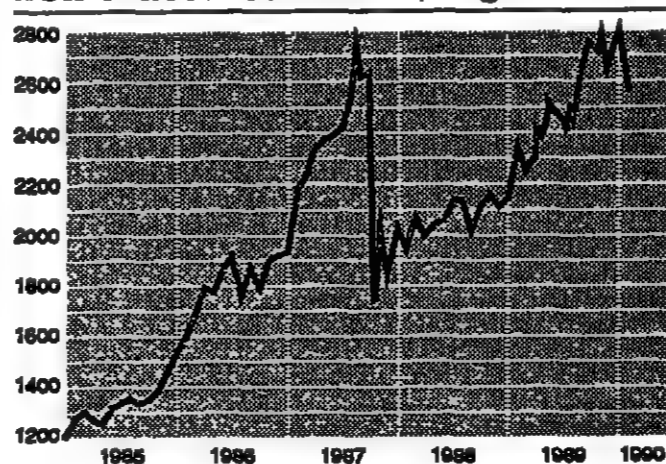
HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2314.5	-20.5	2483.7	1782.8	World markets' weakness
Amstrad	47 1/2	-4 1/2	193	36	Rally peters out
Ashley (Laura)	53	-18	128	44	Profits warning
Coleroll	35 1/2	-37 1/2	177	20 1/2	Profits warning
Deaunter Bros.	985	+50	989	280	MMC approval for Atlas Copco bid
Ferranti Ind.	36 1/2	+11	113 1/2	26	Nadar div. sold to GEC for £310m
Heekyna Group	363	+35	363	200	Takeover news awaited
ICI	1090	-38	1352	1012	Wall Street influences
Laing Properties	581	+53	588	419	Bid speculation
Lowrie	291	-20	326	227	Profits lower than expected
Norfolk Capital	42 1/2	+8 1/2	42 1/2	28 1/2	Bid from Queens Moat Houses
Rank Organisation	811	-32	1089	721	£367m rights issue
Sellie Insurance	78	+13	91	53	Bid from East of Scotland bids
Standard Chartered	606	+54	608	449	Break-up bid speculation

WALL STREET

The worst is over for now

Dow Jones Industrial Averages



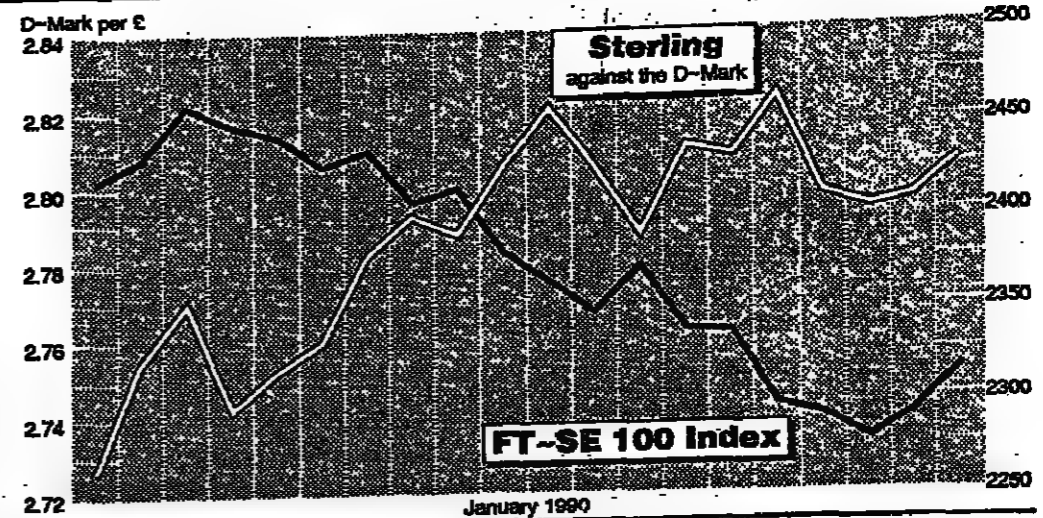
rates aggressively enough to avert an outright recession, the markets were counting. If only they knew it, on monetary objectives far more expensive than this. In the increasingly speculative euphoria on Wall Street last summer, investors had persuaded themselves that the long-anticipated economic "soft landing" would actually be something close to economic nirvana.

In fact, Greenspan was offering no such thing. His idea of a "soft landing" appeared to be a state in which the jobless rate would be prevented from rising by a series of small and very cautious cuts in short-term interest rates. Once the Fed had achieved this minimal political objective of stabilising unemployment, its next priority would be to try to keep inflation under some kind of control. That was the central

message of Greenspan's testimony six months ago.

For investors in both the equity and bond markets, however, it promised less pleasure than pain. For bond markets, the Fed's determination to avoid a full-scale recession implied that there was little prospect of inflation falling below the 4-5 per cent range in which it has been stuck since 1983. For equity investors, on the other hand, the central bank's unwillingness to let inflation accelerate outside this range promised a vicious squeeze on profits, especially among the cyclically-sensitive industrial firms.

All of these implications were clear enough six months ago, when equity prices were last at their present levels. But, it would be to try to keep investors from ignoring them in the summer's wild bull run.



A swirl of low pressure also swept the first serious harbingers of corporate trouble into town, wielding their scythes. Inevitably, in the High Street Coleroll was first to display its scars. On Monday, the home while stock market star) said its profits in the second half would be "materially below" the first-half figure. At £10m, Coleroll's interim were already less than half the previous year's half-year figures. Interest rates have Coleroll — which makes everything from wallpaper to carpets — in two bear-hugs, squeezing consumer spending and the housing market. It is a sensation familiar to weary followers of Lowndes Queensway.

The flimsy wind-break of City approval might not provide much protection against the chill of a down-turn in consumer spending, but unrivalled name recognition is an equally ineffective shelter, as Laura Ashley proved on Thursday. The fashion and home furnishings retailer warned that it would break even in the year, but only before exceptional costs of £2.5m related to re-organisation and redundancies. Grown women in floral print dresses are not weeping in the high street just yet; the brand name itself is undoubtedly secure and, for the time being, Laura Ashley's husband, Sir Bernard, is hanging on to his 70 per cent stake in the company.

There was just too much money to be made to waste time thinking about monetary policy, inflation and economic growth. After this very long historical digression, it should become apparent why the market's gains since July might be described as "ill-gotten." The question now is where prices go after investors' perceptions are brought back down to earth. The short-term outlook seems quite favorable, precisely because investors do seem to be abandoning their earlier euphoric hopes. This is apparent not just among shares that have been announcing disappointing earnings — the chemical, oil and airline companies were added to this rapidly-expanding category this week. It also also true, even more significantly, among the over-priced consumer growth stocks where such market leaders as Philip Morris, Disney, Procter & Gamble and Coca-Cola have experienced breakdowns, whether they reported good earnings or not. Pessimism is now so widespread, therefore, that prices could enjoy some kind of rebound in the next few weeks. Beyond that, however, the prospects do not look good. The fact is that the economic policy trade-off between growth and inflation is going to get even tougher as the year progresses. That means that corporate profits are unlikely to rebound in the second half of this year, as expected widely. Neither are interest rates likely to decline very much. And that combination leaves investors with very few places to hide.

Monday 2800.45 - 77.45
Tuesday 2816.32 + 14.87
Wednesday 2804.50 - 10.82
Thursday 2861.04 - 43.40

Anatole Kaletsky

Such warnings were particularly depressing for those optimists who believed the effect of bad corporate results was already in the price of vulnerable stocks. Coleroll's market value was slashed in half and the shares ended the week down 37 1/2 at 25 1/2. Laura Ashley shares, which are traded only rarely, declined from 71p to 53p in five days. The scent of re-structuring

The stock market is short of full-blooded take-overs

was obviously in the turbulent air. It was picked up by Saatchi & Saatchi and Sears mid-week. The advertising and communications group is re-organising its London agency, with the possible loss of up to 70 jobs and the addition of a tier of senior managers. Sears, meanwhile, is going ahead with plans to close 200 shoe shops belonging to its British Shoe Corporation subsidiary. The move will affect at least 1,000 jobs, some of which will be moved to 70 new shoe stores. Ferranti, meanwhile, managed to sell its radar division to GEC in a £310m deal announced late on Tuesday. The cash injection could allow the group to scale down its

proposed rights issue, but might not be enough to transform the fortunes of the troubled electronics company in the longer term.

As a conventional means of raising cash or funding a deal, the issue of shares has been somewhat out of favour in recent months. Thursday's sales seemed to blow a certain amount of corporate paper back onto the City streets.

Leisure group Rank Organisation announced a one-for-four rights issue to raise £357m, while Queens Moat Houses launched a well-timed 10-share bid for Norfolk Capital Group, a fellow hotel company which has been fighting off a proposed management coup.

Notwithstanding the re-kindling of the Hoylake bid for BAT Industries, which is now being scrutinised by the City's insurance commissioners, the stock market is short of full-blooded take-overs. Y.J. Lovell's offer for fellow construction group Higgs and Hill failed last weekend, while aspiring conglomerate Wassall won its fight for Metal Closures Group, which makes bottle-tops, on Tuesday. Despite the global uncertainty of the equity and bond markets, the Bank and Queens Moat proposals may offer UK institutions the comfortable home they are seeking for their stockpiles of cash.

Andrew Hill

JUNIOR MARKETS

Cheers! Pubs surge ahead

HOWEVER many people decided to give up alcohol as a New Year resolution, the junior-markets have certainly not been in a similar mood because a flurry of activity has emerged from small pub chains and brewers. The trend culminated yesterday in an announcement from Millwall Holdings, which owns the London football club and came to the USM late last year, that it was buying Taverner Leisure, the public-house and catering group which joined the Third Market last June.

Taverner itself acquired a stake earlier this month which, if converted fully, would give it 28.7 per cent of the ordinary shares in Fast Forward Inns, one of the final recruits to the Third Market before it closed its doors ahead of the planned merger with the USM.

Fast Forward, which boasts the well-known Sing & Lettuce pubs among its outlets, was joined on the Third Market at the start of the year by Café Inns, an operator of managed and tenanted houses in the north-west. Meanwhile, Wiltshire Brewery Company, which was bought out of receivership five years ago this week, announced it would come to the USM next month.

This string of moves might be purely coincidental, although it seems reasonable to expect the pub and brewers to continue under the spotlight given the impetus provided by the Monopolies and Mergers Commission proposals for the brewing industry. From the point of view of the small pub operators, the proposals should create opportunities to expand as the big brewers are forced to choose the part of their businesses on which they will concentrate in future, releasing unwanted pubs onto the market.

Meanwhile, some small brewers gain the opportunity to argue that they stand to benefit from the MMC's requirement that the big brewers release their tie on some of the pubs so that publicans-tenants can buy beer from any brewer. Clearly, this can benefit small operators, although only if they have the brands that the publicans want to buy. Wiltshire Brewery, for instance, says it has been busy developing its Stonehenge brands in recent years. It plans also to use the Stonehenge name to introduce a number of niche products, like mead.

When Taverner Leisure came to the Third Market, it announced its world advantage of opportunities thrown up by the MMC. Since then, however, it has found expansion has been progressing more slowly than expected, due to the high prices of freehold and long leasehold properties. It now hopes that joining up with

Millwall will give it the financial clout to move more quickly.

After the dismal showing of smaller companies at the start of last year, it might be wishful thinking to believe they have they now turned the corner. But some encouragement can be gleaned from the finding that smaller companies have escaped the battering inflicted on most shares this year, according to the County NatWest Woodmac Smaller Companies Index (CSCI). The index, launched officially this week, has shown that small companies (under £130m) have out-performed the FT-A All-Share Index by 5 per cent since the start of the year.

It is too soon to hail this as the recovery of smaller company shares, thinks County. It might simply be an example of the "lag effect" whereby it takes several days or weeks after a sharp move in share prices for the attention of the market to turn to the smaller stocks. Alternatively, it could be a sign that all the sellers have been flushed out of the market, in which case the outlook for smaller companies is distinctly encouraging.

More generally, County's new index has raised the question of whether increased dividends could be the key to the revival of smaller company shares. County reckons that investors already are demanding higher yields to compensate for the risks of investing in small companies. Although they still offer a lower yield than average (as measured by the All-Share), the discount narrowed sharply last year. The reasons for this are two-fold. On one hand, the CSCI under-performed the All-Share by 19 per cent in 1989. On the other, dividend growth for the CSCI was 26 per cent rather than 17 per cent for the All-Share.

In County's view, small companies may have to continue to produce above-average dividend growth. "The CSCI may have to yield a premium to the All-Share before it can start to outperform consistently," it says. If this is the case, the sectors that offer generous yields already may fare best. Agencies, stores, food retailing and food manufacturing are highlighted as sectors where small companies have increased their yields more rapidly than large ones.

Even more significant are the sectors which now yield a premium to their larger counterparts. These are other industrial materials, health and household, leisure, publishing and printing.

Clare Pearson and Vanessa Houlder

Enterprise Zone property schemes face extinction

EVERY year, as the end of the tax year approaches, out come the announcements for new Enterprise Zone property trust investment schemes. These are children of the surge in property values since the mid-1980s, and their chief marketing attraction is the way they offer

shelter to individuals on high rates of tax. But the annual season of new schemes is likely to disappear in the next couple of years.

In 1980, the Government passed a law setting up Enterprise Zones. These are geographical areas — 25 since 1981 — where tax concessions are offered for development, with the aim of re-generating derelict urban tracts. But the incentives last for only 10 years. Short of any new legislation — and the Treasury has long been worried about the cost of the incentives Enterprise Zones will fade away.

The key incentive from the investment point of view is the 100 per cent capital allowance on new commercial property. There is the incentive for the property development companies of fast track planning, and the inducement for future occupiers of a rates-free period until the expiry of the Enterprise Zone status.

There are two ways in for the investor, depending on the structure of specific schemes. The first is a direct investment in a particular property and the second is an investment in a trust. In general, the schemes have grown in popularity. The idea of tax shelters is always attractive — although there are problems specific to the trusts. On top of that, though, the growth of the trusts has been on the back of sharp rises in the value of commercial property as tenants have chased space for expansion.

But the new issues come out against the background of a slowing market, caused by the down-turn in the economy and the fact that, in some areas, the pace of property development has been swift enough to catch up with expected demand. The more the market slows down, the greater will be the attraction of the investment schemes for the sellers of the property. They are a useful

addition to the armoury of property-selling techniques.

Among the latest schemes are the 10th and 11th Property Enterprise Trusts. They come from Property Enterprise Managers (PEM), a subsidiary of Rutland Trust in which the largest shareholder is London & Edinburgh Trust. Having started its first trust in 1982, PEM is one of the longest standing players in this investment field. These new trusts — which will have a combined value of just over £52m — are buying two office buildings under development by the Charter Group in the Salford Enterprise Zone.

Another recent scheme is Laser Richmond, a new joint venture chaired by Sir Kenneth Cork and set up by Johnson Fry and Richard Ellis, a firm of chartered surveyors seeking to expand its financial arm. Laser Richmond marks the coming together of Laser, which first raised money in

1988, and Richmond, which started last year with properties at Merry Hill in the Dudley Enterprise Zone.

Investors are invited to choose between property in London's Docklands, the Midlands or Manchester, with the option of spreading their investment across all three. Precise details differ from one scheme to another but, generally, the initial subscription is £5,000. The schemes often have arrangements with banks so that investors can borrow their initial stake.

Depending on personal tax rates, up to 40 per cent of the cost of the investment can be deducted from taxable income — say, £4,000 of an investment of £10,000. It would be possible to borrow the balance of £6,000 and get further tax relief on the interest payments. The income comes from the rental revenue derived from the property, so the notion is that the investment is self-financing.

And that, of course, raises the question as to why everybody on high rates of tax is not rushing in with their money. One drawback is that there is no market in the units purchased. If an investor wants to pull out, then he must depend on the managers making some matching bargains. Nobody knows how easy or difficult that would be.

A second drawback is that the investment is locked-in for 25 years. It is possible to sell it or pass it on; but if that is done then the allowances, on a pro rata basis, might be clawed back by the taxman if the recipient is not tax "connected." Finally, and despite all the tax allowances, these are essentially property investments, so a view needs to be taken of the economic prospects and the likely demand for the property in question. No tenant, no income.

Paul Cheeseright

MARKET RESEARCH

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FINANCE & THE FAMILY

Terry Dodsworth and Sara Webb consider whether euphoria is justified over prospects for capitalist gains in Eastern Europe

So you fancy making a fast buck behind the Curtain?

AS A PRIVATE investor, would you put your money in a country with no stock market, no basic accounting standards, and no investor protection? And would you be willing to take a chance on an uncertain political situation, to say nothing of a rickety local economy and vulnerable currencies?

Well, lots of rich Americans have. Scores of them piled recently into a new \$30m Hungary Fund, launched by Bear Stearns in New York, and carrying a minimum entry fee of \$500,000.

The reaction to the Hungary Fund underscores the general euphoria among Western investors about prospects for capitalist gains in eastern Europe.

Equally, however, the level of demand demonstrates the paucity of investment opportunities across the crumbling Iron Curtain.

The problem is that only Hungary is in the process of developing a stock market of sorts. It and when the other Eastern bloc countries open their stock exchanges, they are likely to be "narrow and speculative" according to Dr Rory MacLeod, director of Baring International Investments.

In other words, you won't just be able to ride your broker and order 500 shares in the Bulgarian Number One Multi-Function Umbrella Company or in Romania's leading estate agency as it makes a fast buck by flipping off Ceausescu's palaces and hunting lodges.

If you take a short-term view and are averse to risk, eastern Europe is probably best avoided. But there are opportunities for both small investors and high net worth individuals, if you are prepared to leave your money tied up for a few years and accept that your choice of investments will be narrow.

You will have to decide how much risk is acceptable. You have a choice between investing in specific eastern European country funds, which could be very risky, or investing via the established western European stock mar-

kets where you can select those blue chips likely to benefit from the developments in eastern Europe.

New funds with an eastern European flavour are being set up left, right and centre. They include:

■ Alliance Capital's Austria Fund, an investment trust based in New York which can invest up to 20 per cent of its money in unlisted companies in Hungary.

■ Deutschebank Capital's Germany Fund, an investment trust based in New York which can invest up to 20 per cent of its money in unlisted companies in Germany.

■ Deutschebank's New Germany Fund, launched in New York this week with the specific aim of investing in small and medium-sized West German companies that stand to gain from the developments across the border. Up to 10 per cent can be invested in Eastern Europe when equity investments become feasible.

■ Bear Stearns' Hungary Fund, which is looking at a range of opportunities from joint ventures to hotel development and the MacDonald's franchise.

■ Tyndall's Emerging Eastern Europe Fund (EEEF), which is being pitched mainly at institutional and high net worth investors. It is looking mainly at investment opportunities in Hungary, Poland, Bulgaria and Yugoslavia. For the small private investor, Tyndall is launching the European Project Investment Trust (EPIT) which will invest mainly in the Western European markets but with up to ten per cent of the money going into EEEF.

■ John Govett's Hungarian Investment Company, which will invest in sectors such as tourism, exports, construction, and basic industry.

■ Lazard's is planning to launch an offshore company which will invest in central Europe.

■ The Martin Currie European Investment Trust, which will



be set up next month with the aim of attracting small investors and will be allowed to invest some of its money in Eastern Europe.

Most of these funds are closed and investment trusts, some of which have restrictions on your ability to withdraw your cash.

In other words you will be buying shares in a company which may be less liquid than units in a unit trust. However, some unit trust fund managers, such as Fidelity, will be able to invest part of their own European funds in these investment trusts.

For those investors who prefer to pick their own shares for their portfolio, the only way you can hope to gain from the changes in Eastern Europe is via the West European stock markets.

The two countries where developments will probably take place most rapidly are Hungary and East Germany. So the two West European countries which will be the best placed to participate are West Germany and Austria, which already have considerable ties with their Eastern bloc neighbours.

Kleinwort Griesen says that East Germany's modernisation will hinge on developing infrastructure and manufacturing capacity, while improving the standard of environmental

protection. There is plenty of scope for improvement. "No one who has seen or smelt a Trabant or a Wartburg could believe that the GDR car industry could survive without help," says Andrew Thomson in a recent report.

Sectors to consider are: ■ Capital goods and electricals. The West German capital goods sector is expected to benefit in the longer term from the re-equipping of East German industry, both as a supplier and as a partner in joint ventures and new enterprises. Of

particular interest are Thyssen, Orenstein & Koppel, Mannesmann.

On the electricals side, Siemens is likely to benefit from improvements in infrastructure - building up telecommunications and railway signalling networks.

consumer spending, particularly on basic goods and food, from which retailers such as Kaufland could benefit.

■ Building. Demand for road and rail construction in East Germany and the increase in housebuilding in West Germany to accommodate the immigrants might benefit building materials producer Dyckerhoff.

Austrian companies which are likely to benefit from their close relations with Hungary, and to a lesser extent Czechoslovakia, include the following: banks such as Creditanstalt; Wienerberger (which has tile and brick factories in Hungary); building contractors such as Porr and Universale; and Austrian Airlines.

Before investors rush in, they should consider the risks. First, the conventional ones: given that western European stock markets have been bid up on the euphoria, the small investor might do well to bide his time until markets have fallen a bit. Even the investment trusts mentioned above have been pushed up to considerable premiums.

Furthermore, according to Tyndall: "There are considerable difficulties in investing in eastern Europe which stem from political and economic factors such as the non-convertibility of currencies, restrictions on capital movements, and the lack of recognised stock markets and capital markets."

John Pollen, European fund manager at Baring's, says he thinks the greatest risks are still to be found in the Soviet Union, where it might prove difficult for companies to get their assets back in the event of civil strife.

Perhaps ask yourself how many Western companies made money out of joint ventures with China?

GIVEN THE absence of stock markets in Eastern Europe, what do the funds invest in?

Tyndall says its Emerging Eastern Europe Fund (EEEF) is considering the following routes:

■ Direct equity investment, in the form of convertible currency, local currency and/or goods and services.

■ Joint ventures - in those countries where there is no formal equity market or corporate structure or law resembling those of the OECD countries; and

■ term loans with equity features whereby they receive regular interest payments, and have security of repayment of the principal and a share in the profits generated by the venture.

For example, EEEF is considering investing in the following projects: ■ An irrigation project in Yugoslavia, which needs \$25m in order to buy, install and operate irrigation equipment. About 70 per cent of the financing will come from a debt-for-equity conversion using Yugoslav debt acquired in the secondary market. Tyndall believes that after eight years investors should have received their original investment plus a 32 per cent share of all resulting profits.

■ A Bulgarian fertiliser producer which needs \$61.2m to finance the buying of imported equipment. It expects to start exporting after 1992 once the turnkey project is completed and earn foreign exchange from the exports to help repay EEEF. ■ A Hungarian TV, radio and computer maker which wants to expand its capacity for making printed circuit boards. It needs \$8.5m in order to buy and install equipment from West Germany and Switzerland. The idea is to sell the assembled TV sets and printed circuits abroad - in France and Canada - and proceeds from sales would be used to repay the fund.

Eric Short explains what householders should do

Easing the storm pain

VIOLENT storms are a part of Britain's winter climate and, after Thursday's, many people will have known from experience what to do about structural damage to their homes and how to claim on their insurance policies. For those who don't, the following tips are crucial.

Where there is house damage residents should, if necessary, make temporary repairs. They do not have to get clearance from their insurers before getting these carried out. Next, they should tell their insurer or broker about the damage and lodge their claim.

Damage to roofs, windows, doors and walls is covered by your buildings insurance policy. Any damage to items inside, including re-decoration, is covered by the contents policy. People whose buildings and contents policies are with different insurers will, of course, need to submit two claims.

Although most house insurance policies provide comprehensive cover for the dwelling itself, there are variations between insurers in the cover provided for items outside the main building. Two, in particular, relate to cover for garden walls, fences, hedges and gates, and to the cost of removing fallen trees.

Some policies will pay out on damage to walls, although rarely for fences blown down

by the wind. Some companies will pay for the removal of trees blown down if they have caused damage to the house, but not if the tree is just lying on the lawn.

It can be confusing where (like the Prudential) fences, hedges and gates are not covered for direct wind damage but the policy will pay out if the damage is caused by trees blown onto them.

Insurance companies have certainly learnt from their experience of disasters and they have contingency plans ready for such events.

Many insurers now have Freephone help-lines manned 24 hours a day. These can be used not only to check on the insurance aspects but also to obtain guidance as to what to do to minimise damage and recommend builders for temporary and permanent repairs.

Many insurers now have Freephone help-lines manned 24 hours a day. These can be used not only to check on the insurance aspects but also to obtain guidance as to what to do to minimise damage and recommend builders for temporary and permanent repairs. Many companies have taken advertisements in newspapers giving the Freephone numbers. At the same time, many

companies are keeping their branch offices open over the weekend. In the future, some on Saturday only, others on Sunday as well. Staff are being drafted-in from head office and other branches to cope with the expected rush of inquiries.

Many insurers give branches and agents authorisation to make on-the-spot payments for emergency and temporary repairs. Agents for the Prudential can pay up to £2,000 a claim for such work.

One unfortunate aspect of Thursday's storm was that it occurred during the day, resulting in many more motor vehicles being damaged than in the great storm of October 1987. Motorists are not well-covered by insurance in these circumstances.

They must claim on their own insurance and this can be done only if they have a comprehensive policy. Very few third party fire and theft policies would cover a situation. So, many motorists will have to meet the cost from their own pockets.

It is a waste of time going to see a neighbour whose tree has crushed your car and demanding compensation on his insurance. The motorist would have to prove negligence by the neighbour - virtually impossible when trees were toppled by winds gusting to more than 100 mph.

John Edwards on the latest Dumenil moves

A shaft of light

RELIEF is in sight for the unfortunate investors in Dumenil unit trusts. It is believed that Dumenil, a subsidiary of the Paris-based Banque Dumenil Leblé, has decided in principle to wind up its 11 UK authorised units and return the £38m funds to the 12,000 investors. However, before making a formal announcement, the move has to be approved by the two trustees, Coutts and Midland Bank, and the regulatory authorities.

Dumenil took the unprecedented step in November of suspending dealings in all its unit trusts because of difficulties in pricing units. It called in Touche Ross to investigate the problems. Originally the suspension was intended to last for a month, but the Securities and Investments Board (SIB) extended the suspension until February 5. However, investors have become increasingly restless about having their funds "locked up" in this manner.

It is understood that payments to investors will be based on the value of the units

at the time of the suspension, plus any investment gain made since. However, as the problems centred around inaccurate pricing of the units, any compensation package would have to take into account possible losses suffered by past and existing investors as a result of pricing errors.

Meanwhile other unit trust groups have been quick to jump on the bandwagon. Gartmore said it was planning to offer Dumenil unitholders the opportunity to invest in any of its 27 unit trusts without having to pay the normal front-end charge of around 5 per cent levied on new investments.

Peter Pearson Lund, managing director of Gartmore Fund Managers, said it was unfair that Dumenil investors should face the prospect of paying another set of initial charges if they wished to continue investing in unit trusts. The situation was not of their making and they deserved a helping hand.

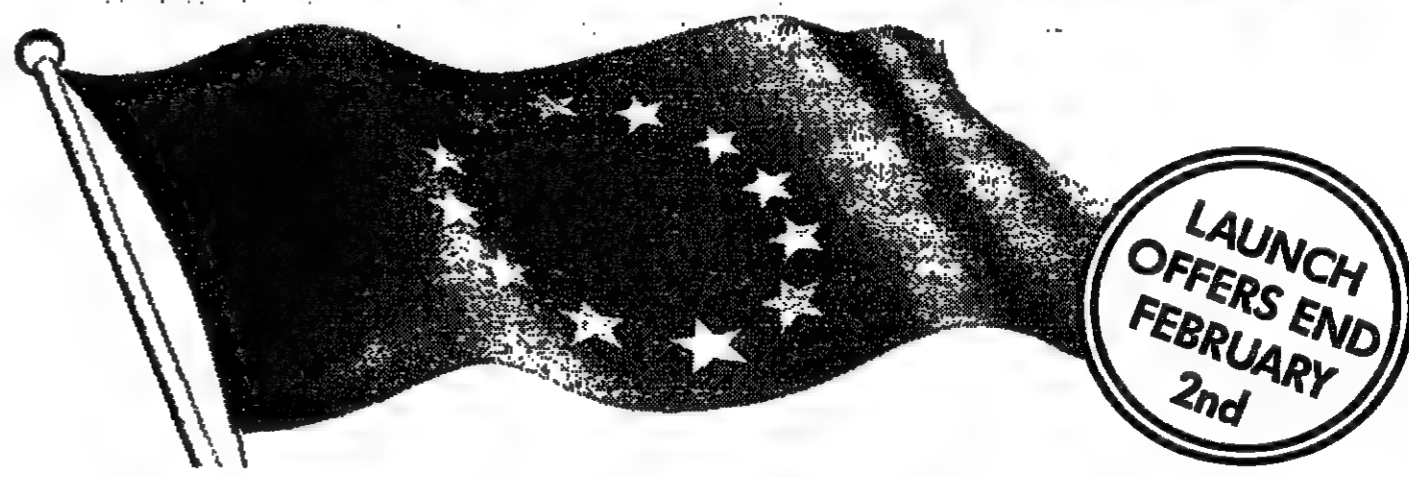
Royal London was equally quick off the mark. It announced that it will be launching six new single-coun-

try European unit trusts shortly. Current unitholders in Dumenil funds would be allowed to transfer their units into one or more of these planned new trusts, or existing Royal London European funds, with a special discount of 5 per cent during a six-week period. For Dumenil unitholders only the minimum initial investment would be halved to £500.

The planned new range of Royal London European funds is similar to the specialised single-country trusts, which attracted investors to Dumenil. They include Dutch, French, German, Italian, Spanish and Swiss growth funds. Royal London said in view of the specialist nature of the funds, it will retain separate investment advisers for each of the individual European markets in addition to its own fund management team. Roger Harwood, director of Royal London, said the new funds were aimed at investors seeking to take advantage of the growing opportunities available in the individual Continental European stock markets in the run up to 1992.

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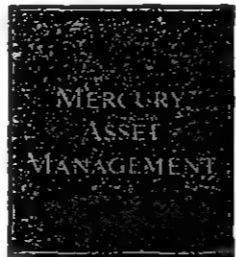
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FINANCE & THE FAMILY

The Week Ahead

Stationary year for stationer

W. H. Smith held back by DIY burden and rising interest charge

INTERIM RESULTS from the two leading stationers are due this week, John Menzies, the Scottish-based group, reporting on Monday and W. H. Smith on Wednesday.

Smith is expected to see little change from the £33m pre-tax profit for the half-year to end-November 1988 (excluding property profits), especially as the comparable period had an "extra" week.

The company's core business should have performed well, except for the effect of train strikes, and the wholesaling side has had a more stable background, but the Do It All do-it-yourself chain has been suffering with the rest of that sector.

Some peripheral businesses have been sold—such as the Canadian retail chain—which will have made a dull, final contribution.

Also, the interest charge will have risen sharply, partly on the back of acquisitions such as Cartwright Bros, the commercial stationer, bought for £80m in September.

Menzies offers analysts a

harder task since it has changed its year-end and profit estimates are around £2m. The main concern is over the Early Learning Centre shops in the US which have yet to fulfil their promise.

Bullough, the office furniture and engineering group, has been a sturdy stock market performer in recent years but slid into stickier times at the interim stage this year when it reported only a 9 per cent advance in pre-tax profits.

Analysts are expecting the firm to be much the same on Monday when the company is due to report its full year results. They are looking for a small gain in pre-tax profits to just under £30m, reflecting the virtually static office furniture market which accounts for over half of Bullough's business.

When Domino Printing Services, the ink jet printing specialist, reports figures on Thursday for the year to October 31, it is expected that the increased competition met by the group in Europe will have taken its toll.

Pre-tax profits are forecast to decline to around £4.9m from £5.1m last time on turnover up about 13 per cent to £37m.

The impact of the move to new premises and the company's North American performance will also come in for close scrutiny. Analysts are on the alert, too, for indications as to how FMS Partners will set about securing a satisfactory return on its investment.

The investment concern, headed by Neil Faulkner, former chairman of Lazard Bank's development capital arm, bought a 15.5 per cent stake in Domino last July.

The pronounced slowdown

in advertising spending, meanwhile, is expected to impact unfavourably on Goodhead Group, the printing, free newspaper publishing and design company which reports figures for the six months to November 30 on Tuesday.

Pre-tax profits are likely to come in only marginally ahead of last time at £2.9m against £2.7m.

Among the other main points of interest will be the degree to which competitive pricing policies have depressed margins in the contract printing sector. This business continues to perform well in volume terms.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Academy Group	Dec	7,370	(3,680)	4.9 (3.3)
Aukett Assoc.	Sept	2,310	(1,737)	11.9 (9.15)
Baldwin	Oct	2,480	(1,660)	10.5 (8.0)
Camden Engineer	Sept	5,830	(2,707)	18.8 (14.3)
Chrysalis Group	Aug/1	11,500	(1,800)	1.46 (4.0)
Co. of Designers	Sept	1,050	(2,470)	3.8 (10.2)
Cont. Assets Ltd	Dec	285	(508)	0.13 (0.23)
Derby Trust	Dec	1,750	(1,400)	15.1 (17.9)
Easton Hodge	Oct	36,200	(28,800)	31.0 (27.1)
Group Develop.	Sept	985	(218)	0.29 (0.31)
H.B. & Smith	Sept	5,520	(5,520)	21.7 (18.0)
Kershaw A & Sons	Oct	9,381	(8,250)	25.5 (23.7)
Leorio	Dec	275,300	(225,000)	26.8 (25.7)
LPA Industries	Sept	871	(811)	6.4 (5.0)
Netwest USA	Dec/9	139,500	(129,800)	—
Newman Tunks	Oct	21,190	(16,817)	17.8 (15.8)
Northol House	Sept	8,580	(8,118)	23.4 (17.6)
Pavilion Leisure	Oct	8,520	(8,917)	11.9 (5.38)
Rank Org.	Oct	291,100	(255,100)	82.6 (72.8)
Ryan Hotels	Oct	2,750	(1,580)	4.57 (2.86)
St. Andrews Tel.	Dec	2,400	(1,860)	6.92 (5.32)
Stobart's Hodge	Dec/8	115,000	(82,000)	—
Warner Estate	Sept	8,340	(6,780)	8.5 (7.7)
Whitbread's Con	Sept	2,000	(5,330)	15.8 (9.0)

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company	Value of bid per share	Market price	Price before bid	Value of bid	Notes
Alcan (W.)	115	111	112	32.02	Spokane
Brunswick Sec.	141	137	138	110.57	ADT
Builder Gap	340	336	335	55.10	CEP Comm.
Carton Phoenix	60	52	58	6.83	Gruppe Bene
Carton Phoenix	90	92	75	10.25	Frankie Hdg. AG
Colson Div.	185	185	151	8.34	Pluflow
Decatur Bros.	100	95	95	89.5	Alcan Copco
Hertwall	135	144	120	107.5	Oakhill
Do. 7.57pc PI	124.75	126	104	43.66	Oakhill
Ed. City Hodge	25	25	24	22.43	York Trust
ELP Group	225	225	160	23.0	Alcan
De. Comm. Prnt.	57	56	57	6.44	RSCG
MacKay (High)	128	120	132	7.53	Allied Tindle
Metal Closure	187	185	159	47.96	Wesall
Myson	240	238	224	187.50	Blue Circle
Nat. Telecom	60	58	49	30.59	Alcan
Northol Cap.	42.5	41.4	36.4	176.20	Quanta Mont
Saga Group	300	295	284	54.24	De Han
Seidre Inc. Inc.	75.75	78	60	11.81	ESS
Sanderson Murray	175	205	150	8.325	Kilnall Mitchell
Towers Leisure	37	37	29	8.50	Milford Hodge
TDS Cruise	10	20	20	0.50	Tecumseh
UK Paper	375	370	338	208.04	Flachner Chaf'ge
Woodington	37.5	36	42	8.30	Bridgford Group

*All cash offer. Hodge alternative. 3pential bid. 8p for capital not already held. Hodge conditional. *Based on 2.50p price. 28/1/80. 1st suspension. 1989 shares and cash.

RESULTS DUE

Company	Announcement date	Dividend (p)	Last year	This year
ALCAN DIVIDENDS				
Alcan (W.)	Wednesday	3.8	3.8	4.1
Alcan (W.)	Friday	1.67	1.70	1.78
Brunswick Sec.	Monday	0.75	1.0	1.0
Carton Phoenix	Wednesday	1.78	1.78	1.85
Colson Div.	Monday	1.5	2.1	1.8
Decatur Bros.	Thursday	0.4	1.7	0.8
Do. 7.57pc PI	Thursday	1.2075	1.6125	1.45
Ed. City Hodge	Monday	0.25	0.5	0.3
ELP Group	Monday	—	—	—
De. Comm. Prnt.	Monday	—	—	—
MacKay (High)	Tuesday	1.38	2.08	1.35
Metal Closure	Tuesday	2.0	4.5	2.5
Myson	Wednesday	2.0	2.0	1.5
Nat. Telecom	Tuesday	2.0	4.0	2.7
Northol Cap.	Monday	0.8	0.9	0.8
Saga Group	Monday	1.8	2.4	1.8
Seidre Inc. Inc.	Monday	—	—	—
Sanderson Murray	Monday	—	—	—
Towers Leisure	Monday	—	—	—
TDS Cruise	Monday	—	—	—
UK Paper	Monday	—	—	—
Woodington	Monday	—	—	—
ALCAN DIVIDENDS				
Aerospace Engineering	Thursday	1.56	1.56	—
Alm Group	Tuesday	3.4	6.8	—
Applied Holistics	Monday	—	—	—
Barnett Exploration	Monday	—	—	—
Brandon Hrg	Monday	—	—	—
British Channel	Monday	—	—	—
Crax Electronics Holdings	Wednesday	1.052	3.25	—
Davies DY	Tuesday	1.5	3.5	—
Dudley Jenkins Group	Tuesday	1.0	2.0	—
Easton Hodge	Monday	1.0	1.0	—
Goodhead Group	Tuesday	1.75	3.75	—
Haynes Publishing	Monday	5.0	11.0	—
Johnsborough Const. Invest Co.	Wednesday	70.0	100.0	—
Kell Energy	Monday	—	—	—
Menzies John	Monday	3.0	2.0	—
Optical & Medical Intern'l.	Monday	1.66	3.46	—
Platinum	Wednesday	—	—	—
Prism Leisure	Wednesday	1.5	3.0	—
Samson William & Son	Tuesday	0.5	1.04	—
Sanderson Murray & Son	Wednesday	—	—	—
Shelton Martin Group	Tuesday	0.5	1.5	—
Smith Wrt Group	Wednesday	—	—	—
Southwest Resources	Wednesday	—	—	—
Tootill FLW	Monday	3.8	8.7	—
TR Trustees Corporation	Monday	1.0	1.75	—
UPL Group	Tuesday	1.0	1.75	—
Wholesale Filings	Friday	3.23	12.75	—

*Dividends are shown net of tax and are adjusted for any intervening scrip issues. 8 South African cents.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK						
Deposit account	5.00	5.10	4.08	monthly	1	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	500-4,999
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999
High interest cheque	9.50	9.90	7.88	monthly	1	10,000-49,999
High interest cheque	9.50	9.90	7.92	monthly	1	50,000
BUILDING SOCIETY						
Ordinary share	8.50	8.61	6.28	half-yearly	1	1-250,000
High interest account	8.50	8.61	6.28	half-yearly	1	500
High interest account	9.00	9.10	7.20	yearly	1	2,000
High interest account	9.50	9.60	7.80	yearly	1	5,000
High interest account	9.75	9.75	7.80	yearly	1	10,000
90-day	9.75	9.99	7.98	half-yearly	1	500-9,999
90-day	10.25	10.51	8.40	half-yearly	1	10,000-24,999
90-day	10.75	11.04	8.83	half-yearly	1	25,000
NATIONAL SAVINGS						
Investment account	11.75	8.81	7.05	yearly	2	5-25,000
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.
34th issue	7.50	7.50	7.50	not applic.	3	25-1,000
Yearly plan	7.50	7.50	7.50	not applic.	3	20-200/month
General education	5.51	5.51	5.51	not applic.	3	—
MONEY MARKET ACCOUNT						
Schroder West	10.75	11.31	9.05	monthly	1	2,500
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000
UK GOVERNMENT STOCKS						
8pc Treasury 1991	13.21	11.09	9.82	half-yearly	4	—
8pc Treasury 1992	12.77	10.95	9.37	half-yearly	4	—
10.25pc Exchangeable 1995	11.81	8.56	7.36	half-yearly	4	—
3pc Treasury 1992	11.88	11.11	10.65	half-yearly	4	—
3pc Treasury 1992	10.88	10.45	9.55	half-yearly	4	—
Index-linked 3pc 1992/95	10.02	9.51	9.20	half-yearly	2/4	—

*Lloyds Bank. 11.11.89. 90-day. Immediate access for balances over £5,000. 9pc facility for extra £10,000. 9pc Source: Phillips and Drew. 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2

Discount on PEPs

THE PROLIFIC Group is to offer a 1 per cent discount in the form of additional units on all investments in its personal equity plans (PEPs) between February 1 and March 28—the deadline for taking out 1989/90 unit trust PEPs after making allowance for the seven-day cancellation period in which investors are allowed to change their minds.

Meanwhile, the Life Association of Scotland has come into the PEP market for the first time with an Optimiser plan that offers the choice of going into three of its unit trusts—equity, income and growth, or extra income.

A special feature is a link with the LAS Generator guaranteed income plan, which combines an annuity and unit trust.

Generator investors will be able to transfer part of their investment each year into the new PEP to take advantage of the tax-free concessions. Minimum investment is £1,000, or 250 a month.

John Edwards

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FINANCE & THE FAMILY

Diary of a Private Investor

An alternative to shares

INVESTING IN shares in public quoted companies has produced reasonable profits for me over the years. But the present state of world stock markets has made me think again of possible investment alternatives.

Looking back at some of my non-stock market investments, I was somewhat surprised to discover that, in percentage terms, my house in Dorset (which has probably almost doubled in value since purchased in 1985) has not been my most successful alternative investment.

That "honour" goes to something that cost me £40 at an auction in 1981 and is now valued at £5,000. This was a picture by Philip Hughes, whose work appears to be increasing in popularity (and profitability).

Unfortunately, not all the other paintings and sculptures in my collection have increased in value at a similar rate: although the visual beauty of the works concerned is well beyond price.

Hopefully, however, by concentrating on reasonably priced works by living British artists such as Melvyn Boddie, Shenda Amery and including Royal Academicians such as John Brabry, Will Soukup and Geoffrey Clarke, my collection will steadily appreciate financially.

My investments in theatrical productions have not fared so well. Indeed, some of them have been quick to show a complete loss of my entire investment. In 1987 *Spin of the Wheel* had justifiably dreadful reviews in the West End and closed after only one month, taking £2,000 of my money with it.

Other shows have returned a profit, while some have lost money but been well worth backing for the enjoyment they have given, such as the farce *When Did You Last See Your Trouser?* and the deeply moving *The Fifteen Street*.

I have high hopes for the excellent (and well reviewed) science fiction/Shakespeare rock and roll musical *Return to the Forbidden Planet* which has been running successfully at the Cambridge Theatre in London since September. The audience reaction has been tremendous and even if it is difficult to resist dancing in the aisles.

Anyone interested in the very high risk world of theatrical investment can obtain details from the Society of West End Theatre, Bedford Chambers, The Piazza, Covent



Garden, London, WC2E 8HQ.

My dabble in gold has shown a so far unrealised profit, but been dead weight. No dividends, no income, and an increase in value from about £5,000 in 1985 to around £5,000 in 1989, an encouragement to further investment. I haven't even been able to look at the gold, since it's kept in an overseas bank.

My two young daughters have an overseas bank account. The proceeds from the October sale of their shares in the US company Walt Disney, are in a Swiss franc account.

If the account had been with a Swiss bank in Switzerland they would only receive about 2 per cent per annum interest from which a withholding tax of 35 per cent would have been deducted. Instead, their account in Swiss francs in the Barclays Bank in Guernsey and they will receive 5½ per cent interest with no deduction of tax.

They will, of course, also benefit from any favourable exchange rate fluctuations from a declining pound and a strong Swiss currency.

Our National Savings premium bond holdings continue to be rather a disappointment. My wife and I each hold the maximum £10,000 worth of bonds. In 1989 my wife won 11 £50 prizes and two £100

prizes (total £750) while I won a miserable seven £50 prizes (£350).

This was a worse performance than in 1988 when I had total winnings of £750 and my wife won £500; and worse than 1987 when I won £650 and my wife £700.

Although the odds on winning have remained unchanged during those years — each £100-worth of bonds has a 110:1 chance of winning a prize each month — somewhat surprisingly the total value of the prize fund has decreased.

In 1985 the value of the prize fund was equivalent to 7.75 per cent of the total value of all the bonds. By 1987 this had dropped to 7 per cent and, despite dramatic increases in interest rates elsewhere, the prize fund value is now only 6.5 per cent.

So premium bonds are a worse investment than several years ago. But at least it is an investment that is tax free, the original investment is returnable at short notice, and we have a hope of winning a £250,000 prize.

Another tax free investment is our holding of the maximum £5,000 each in the fourth issue index-linked National Savings Certificates. These attract an interest rate that matches the rate of inflation as measured by the retail price index — plus a basic rate of interest which ranges from 3 per cent in the first year to 6 per cent in year five. This provides an overall return of 1.04 per cent on top of the inflation proofing if we keep the certificates for the full five years.

I have been paying serious attention to the small ads in the *Financial Times* from small, privately-owned businesses seeking extra funds. With high rates of interest, many small companies are suffering considerably.

It is much better financially for them if they reduce their bank borrowing by offering shares to private investors who can take a longer term view and accept a minimum return of 10 per cent.

This may well carry significant risk and I am taking professional advice. But, hopefully, it might be possible to help finance a business that will prove as spectacularly successful to its initial private investors as did Body Shop.

Kevin Goldstein-Jackson

Council had no choice

WE WERE recently awarded £2,750 compensation for land and disturbance under a compulsory purchase order dated 1980. The compensation was payable from the date of entry, March 1, 1982, together with interest accruing during the intervening period.

However, we are bewildered to learn that the acquiring authority arrived at the total figure payable by calculations relating to a single interest rate (from which it deducted tax at 25 per cent).

While, on a *prima facie* examination, at least, it appears that this local authority-adopted procedure is not incompatible with the terms and provisions of the 1965 Compulsory Purchase Act, it manifestly ignores the harsh commercial realities of the situation.

If the land appropriated from us had remained in our possession, its present saleable value would be far in excess not only of the derisory sum we have been offered but also, more relevantly, of the amount owing to us computed on a compound interest basis.

Are there any viable mechanisms of redress? The Land Compensation Act 1961 is the governing statute. It does not provide for compound interest. The council was acting correctly in applying the statutory provisions, and had no power to do otherwise.

You could need to address your complaint to the legislature rather than the council, as only amendment of the statute could empower the council to make more generous compensation.

Parted by poll tax

WE OWN a freehold house in joint names in which we both live. We also own a leasehold flat in joint names in another London borough; this flat is unoccupied at present. What is the poll tax position if we were to split up and live separately? If you separate and each of you jointly occupies a separate dwelling (i.e., one in the house and one in the flat) the liability for the poll tax will be for one person's charge at each address. The charge is determined by occupation as a main residence.

Solicitor was right

MY DAUGHTER sold her house recently. Her solicitor received a deposit from the purchaser when contracts were exchanged. On completion, six weeks later, the solicitor

paid interest on the deposit. However, he maintained he did not have to pay interest for the first three weeks of the period while he held the deposit, and he did not disclose the rate of interest although this appears to have amounted to 5 per cent. Is he right?

Second, my daughter instructed her solicitor to pay the sum due to her on completion — in excess of £20,000 — into her building society account (by electronic means, if feasible). The solicitor, in fact, paid a cheque into her account one day after completion. Presumably, she lost about one week's interest. Is there a remedy?

Regarding your first question, the solicitor was acting within his rights. But your daughter could challenge whether it was "fair and reasonable" by asking for a Law Society Certificate to that effect.

Second, we do not understand why it is thought that a week's interest was lost. Most building societies credit accounts with monies paid-in by cheque as from the date of deposit.

Tottering structure

EARLIER THIS year, I made an investment in a D-mark off-shore currency fund with distributor status. When I sell this, is my liability for CGT calculated on the change in the indexed sterling equivalent?

Also, my first "interest" payment was mainly equalisation. Do I add this equalisation component (indexed from the date of payment) to the original holding for CGT calculation purposes? The interest payments are re-invested.

The answer to your first question is yes. Despite the fact that the fund has distributor status, part of your gain will be chargeable to income tax under Case V of Schedule D in accordance with section 758 of, and paragraph 2 of schedule 27 to, the Income and Corporation Taxes Act 1988 (Offshore funds operating equalisation arrangements).

With regard to your second question, the equalisation element in the initial distribution reduces the cost of your original holding, but forms part of the cost of the additional holding acquired by re-investment (and so on), so far as we can deduce the facts from the bare outline provided.

When the former Chancellor assimilated the rates of tax on capital gains to those on income — first for companies and then for individuals and trustees et al. — some people assumed that his next move would be to sweep away the time-consuming tangle of anti-avoidance legislation which had been created over the years when capital gains were taxed (if at all) at a lower rate than income.

We are sorry to say, however, that it now appears the

new Chancellor is committed not only to retaining the existing intricate structure but to adding to its complexities by introducing yet more rules in the 1990 Finance Bill to deem certain capital gains to be income.

His reason for piling further anti-avoidance legislation upon an already tottering structure is presumably that he foresees an unacceptable cost for indexation relief on capital gains if his efforts to reduce the rate of inflation are unsuccessful.

Purchasing a freehold

I AM thinking of buying the freehold of my long-leasehold home, although I expect resistance from the ultimate landlord and will have to invoke

Q&A

BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

my rights under the Leasehold Reform Act 1967.

As I understand it, one of the conditions surrounding such a transaction relates to the property's rateable value. With the end of the rating system and the introduction of the community charge, how have the pre-conditions for purchase been amended? Could you also confirm the other qualifications required to guarantee my rights under the law?

The relevant rateable value is that shown in the valuation list for "the appropriate day." This will normally be March 28 1985. In the case of newer houses, it will be later, but there will not be a problem until three years after the abolition of the valuation lists, by which time substituted provisions can come into play.

See about a buy-out

ABOUT FIVE years ago, my family (mother, father, sister and myself) had to leave our rented property after years of misery with bad neighbours. In order to find decent housing, we were advised to buy, which we did. Because my father was unemployed the property was bought in our four names, both my sister and myself having full-time jobs.

Five years on, I am thinking about buying my own property. I work for a major clearing bank and can get a vastly-reduced mortgage, but I need advice on the following points:

1. Can I buy a property in my own name and claim MIRAS relief?

2. How will my present building society view my proposals? Should I approach them at all with my ideas?

3. Will I need to have my name removed from the present mortgage in order to purchase my own property so that I can claim MIRAS relief?

4. If the building society is unwilling for my name to be removed, is it possible to become, say, a guarantor on the strength of my salary without any problems for my own existing mortgage (with regard to MIRAS, etc)?

1. Yes.

2. We would not advise you to approach your building society at this stage.

3. Your name cannot be removed from the mortgage deed unless you cease to be one of the four joint owners (as joint tenants or as tenants in common, as the case may be).

4. As explained under 3, a mortgage of a jointly-owned property cannot be given by only some of the joint tenants or tenants in common, so you cannot withdraw from the existing mortgage deed. Once the family home ceases to be your main residence, MIRAS will cease to be applicable. Is it possible for the rest of the family to buy your share of the house?

It is possible that the solicitor who acted for you in the purchase of the property can give you some guidance, particularly on the question of whether you are joint tenants or tenants in common, and whether your respective beneficial interests in the property are equal.

Cutting the IHT bill

MY WIFE and I own jointly the freehold house in which we live. To remove any doubt that we hold the property as tenants-in-common, I wrote a letter to my wife recently stating: "The property known as... which we own jointly will from now on be held in equal shares."

Then, she and I re-wrote our wills so that we each leave our half-share in the house as follows: one-quarter to the other spouse and one-quarter each to our three children. Thus, on the death of the first spouse, the survivor will own five-eighths of the value of the property. The object of all this, of course, is to relieve the estate of an eventual substantial liability to inheritance tax.

What are your views on the effectiveness of this, particularly on what the effect would be if the surviving spouse continues (with the children's agreement) to live in the house?

We think your arrangements should be effective. As the surviving spouse will have a majority interest in the property, his or her continued occupation is attributable to that interest and ought not to be regarded as arising because of a life interest under the gift.

UNIT TRUST GROUP OF THE DECADE

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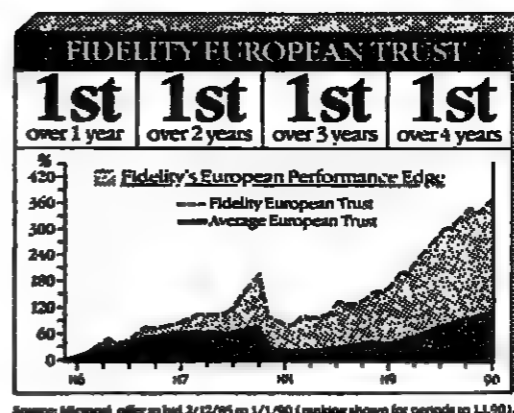
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MINDING YOUR OWN BUSINESS

BANKS FOR SMALL COMPANIES

THIS IS THE first of an occasional series looking at the special attention that banks in Britain are now giving to finance for small firms.

ALLIED IRISH Banks is a name that has appeared quite often on this page. Clearly, it is an institution which people have found helpful when they are trying to start small businesses in certain niche markets.

That is because Allied Irish is itself developing a niche market in British banking. It has developed a strategy to offer specialist support to some clearly-defined small business sectors.

This month, the bank has changed its name to AIB Group. The branch banking arm is now AIB Bank and the business finance arm has become AIB Business Finance.

Neil Baggott, head of research and development of AIB Business Finance,

says it intends to concentrate upon five small business sectors: retail trading, leisure, health care, the construction industry, and professional services.

Agents handling the sale and purchase of pubs, bars, hotels and restaurants have been sending AIB a steady stream of prospective Mine Hosts and hotel-keepers for years - knowing that the bank has a fund of expertise in the drink and catering trades.

Corner shops, run mostly by owner-occupiers, are another growth area for the bank. "We look for people with commitment who are prepared to make a personal investment of whatever assets they possess in addition to our support," says Baggott.

Construction has been another natural growth area for the bank in Britain because of the industry's strong Irish element. There is a useful "loyalty" factor there for a bank which has only 36 retail

branches in the UK and 16 outlets for the financial services division.

Health care has been seen by the bank as a logical extension of its specialist interests. It has become prominent in financing retirement homes and specialist nursing homes for old people during the boom in the business over the past five years.

Finally, the bank sees professional services as a growth area where it can operate effectively without over-stretching its limited research and expert knowledge resources. It is interested particularly in medical and dental surgeries and ancillary medical services in the private sector.

With 25,000 general practitioners' surgeries being encouraged by the government to operate on more business-like lines, the bank sees plenty of scope for expansion.

The AIB has been doubling its business in Britain (mainly in the business sector) every three years and has set itself a tar-

get of 200 UK banking branches. In its special role of serving small businesses, Baggott says the AIB sees itself "as a transactional bank."

With so few branches, it is not worried if its business clients prefer to leave their personal accounts with the big British clearers.

On the other hand, it reckons that as its branch network grows, most of its clients will find themselves within reasonable distance of an AIB retail branch should they wish to use it.

Chris Smith, marketing manager of AIB Business Finance, describes the core of his business as "enterprise lending rather than banking." The pub trade is a good example of what he means.

When lending to a couple anxious to move into a pub, the AIB often is prepared to go beyond the usual 70 per cent or so loaned on a valuation of the bricks and mortar. The bank believes it can put an

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PUBS DIVISION

"WE HAVE A LOT OF CUSTOMERS
MR BARTLETT, I CAN'T REMEMBER
WHAT YOUR USUAL IS."

MANAGER

BANK

additional value on the pub's goodwill, fixtures and fittings, and lend on those intangible assets, too.

Frank Sullivan, business development director of the bank's retail banking side, reckons that the AIB has financed 30,000

new businesses in Britain in the past 10 years.

Roy Hodgson

AIB Group, Belmont Road, Uxbridge, Middlesex UB8 3SA (tel. 0895-723-222).

There's money in antiques — but disaster awaits the unwary

THERE IS a comfortable living to be made from an antique shop if you have a fund of background knowledge and experience, a "feel" for the stock, and a keen business sense. Be warned, however, that lesser qualifications will lead to disaster in this keen trade.

A gross profit of £1,000 a week is considered reasonable for a high street shop, and some wily traders manage to make £400 a week or more without encumbering themselves with premises. They prefer to sell at book sales and from stalls in antique markets. (Incidentally, "gross profit" in this context means the difference between what the trader pays for an object and what he sells it for. In the antique world of cash transactions, it is as well to remember that the VATman and the Inland Revenue maintain an indefatigable watch over dealings.)

Getting started need not be too expensive. The recent growth of a thriving hire business in antiques and bric-a-brac means that it isn't even necessary to stock your shop completely in the early days — a time when capital probably is short.

An investment of £10,000 in selected stock plus some hired pieces (which are not available for sale — the customer does not know they are hired) can result in a well-filled shop without breaking your bank manager's heart.

After a life-time in the trade, London dealer Mark Rimmell has just published his own guide called *Making a Business from Bric-a-brac to Antiques*, by Mark Rimmell. The total number of books written on collecting and antiques would stretch from Burlington Arcade to Petticoat Lane.

Rimmell's contribution is particularly interesting because he writes from the heart after 30 years of dealing.

Read him on Where to Buy. He recommends trying friends and relatives and says: "You will be surprised at the sort of objects hidden in front rooms, back rooms, garages, garden huts, and under the stairs."

"Many relatives and friends will dismiss your request with 'Oh, I haven't anything worth bothering about.' Volunteer to do a tidy-up for them. You will come across things

'Remember that the VATman and the Revenue maintain an indefatigable watch'

even they had forgotten about. The unwanted and forgotten gift that has lain hidden for years will probably be just the sort of piece that would sell for even a few pounds.

Recently, Rimmell bought a bundle of original French fashion drawings of the 1920s, which he found at the back of a dealer's room. He paid £35 for them. The "bundle" proved to contain 3,800 drawings and Rimmell reckons they will make money for him for the rest of his life as he feeds a few on to the market every now and again. Already, the Victoria and Albert Museum has bought seven and of the drawings. Others are on offer in the West End at £90 a pair.

Finds like that do not come about every day. The following figures are an attempt to make a fair assessment of real life in the trade.

For a permanent antiques market stall, reckon on:

■ Outgoings, including rent — up to £10,000 a year.

■ Capital to provide stock — up to £20,000.

■ Turnover — between £20,000 a year and £120,000 a year.

■ Net profit annually — between £5,000 and £40,000.

For a small shop in a provincial town, reckon on:

■ Outgoings including rent — up to £15,000 a year.

■ Capital to provide stock — up to £10,000.

■ Turnover — between £50,000 and £150,000 a year.

■ Net profit annually — between £10,000 and £40,000.

For a small shop in a city centre, reckon on:

■ Outgoings including rent — up to £30,000 a year.

■ Capital to provide stock — up to £20,000.

■ Turnover — between £100,000 and £300,000.

■ Net profit annually — between £17,000 and £30,000.

"The wide variation in profit estimates hinges upon the number of times a shop's stock is turned over during the year. A turnover of five times would be seen as mediocre but 10 times is good."

□ *Making a Business from Bric-a-brac to Antiques*, by Mark Rimmell. By post from Mark Rimmell, 13a St John's Grove, London N19 5EW. Price £5.95.



Mark Rimmell... "I fail for every play in the business"

MARK RIMMELL likes to surround himself with the tools of his trade. At 52, he lives in a comfortable garden flat in north London. Every wall, corner and table-top is laden with the evidence of his passion for collecting. A 3ft-high pile of Edwardian sheet music vies for room with a ship hull carving. Paintings jostle each other on the walls and books spill through every room. His furniture is a bric-a-brac through most of the styles of the past 200 years.

"I've been a hopeless addict for bric-a-brac and antiques for the past 30 years," he says. However, he has been able to turn what many of us find an expensive hobby into a profitable career.

Rimmell's secret is that he learnt from his mistakes while a young man. Although fresh to London from Northamptonshire, he admits: "I fell for every play in the business. I stumbled against every obstacle. The amazing thing was that I survived in the antiques trade against all the odds."

He started a stall in south-east London's Bermondsey market. Although it was less than a living it proved, he says, a "university course" in antiques trading. By the 1970s, he had reached the happy position of knowing what he liked.

Specialising in flamboyant decorative objects ("stained glass and chandeliers"), he shared a gallery in the Old Brompton Road, South Kensington, with two other dealers. That venture taught him about running a serious antiques business and led to his present occupation.

"People kept coming into the shop and asking if they could hire

things," he says. "Eventually, I was asked if I could assemble and provide all the artifacts for a steam yacht's state room — to be used in an advertisement for Foster's lager on Australian television. From then on, I gradually slipped into my present profession of production buyer for stage and screen companies. I find, hire, assemble and look after the antiques they need to dress a set."

Rimmell's stock-in-trade is his taste and detailed knowledge of where to find the items needed. Some are unearthed from dealers in local antiques shops but, often, he spends days picking through the stock of the many big warehouses that now offer bric-a-brac for hire.

Rates for antiques and bric-a-brac are based on the value of the object to the hirer and his calculation of how much is at risk while out on hire. Typically, he will ask up to 10 per cent of the risk value for the first week and then 5 per cent a week, tapering over time to 2.5 per cent a week.

Production buying is how Rimmell has chosen to make a living from his love for antiques. It also enables him to indulge his "collector's mania." He still spends many hours a week browsing through antique shops and his home is a clearing house for countless items he could not resist buying.

He rarely loses money on a purchase, probably because he follows a rule that it is better to be satisfied with a quick and modest profit (say, 15 per cent) than to hang on in the hope of a future killing.

R. H.

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DIVERSIONS

Pedlars of knowledge

SECOND-HAND car salesmen are, according to reports, making efforts to change their image. If this results in a surplus of stock of trawls, patent shoes and fur-collared coats, then perhaps the salesmen will consider passing them on; for there are those in need of silk clothes. University dons, the time has come to enter the market-place.

I have been experimenting in front of a mirror. I'm not asking five grand. I'm not asking four. And, would you believe it - I'm not asking three. Ladies and gentlemen, for the knock-down, rock-bottom, Bob's-your-uncle price of 2,900 smackers, I can give you a classics degree. And I write as a privileged stall-holder in this market.

This year, the campus becomes mercantile. Unofficially, some sort of market has been operating for several years, for the "brain drain" is no more than a number of outstanding British scientists and scholars realising their higher value in the US. But now, in Britain, it is official. The new University Funding Council (UFC) has issued a letter to all academics stating that the Government wants the "delivery of good-quality educational services" from a "market-oriented system in which market forces generated by institutional initiative and student choice are given greater play."

Universities are being encouraged to build up "portfolios" of attractively-packaged courses and to recruit students by a strategy of "bids" and "offers." Given a basic price - say, £4,500 for a physics degree - institutions may submit bids for public funds by offering to take so many students at such a price per student. It could be that one institution, by virtue of its initiative, cost-cutting or skulduggery, is able to offer that physics degree for £4,199 - in which case it corners the market and gets the public funds to run its courses.

Readers of the *Financial Times* will be familiar with the market terminology but it might amuse them to think of their former teachers having to hawk for custom in this way. As a pedlar of the classics, I ought to point out that Socrates was said to have been astute in the management of capital funds and that Aristotle thought of education as an optimum long-term investment, the best provision that could be made for a satisfying old age.

From the position of those teaching "cheap" subjects - law, the humanities, mathematics - the prospect of an

open market is attractive. The Government is said by the funding council to want to place more students on science and technology courses but, of course, in an open market there can be no interference from government. If students prefer to study art history instead of bio-chemistry, or if institutions prove nimble in selling sociology, then so be it.

University dons will have to learn initiative and skulduggery as the universities bring education to the marketplace, says Nigel Spivey

The market will decide.

And with the advent of student loans, the market opens further as the centres of excellence (Oxford and Cambridge) regress into centres of wealth, so provincial universities get the chance to take those students who qualify intellectually for Oxbridge but cannot afford the higher costs of its colleges.

Over the next decade, university life is bound to become very different from our collective remembrance of student days. The slack don who

acquired a life fellowship after the Second World War and has done little since - save quote Gibbon and collate the college archives - will be extinct. No such tenure will be offered again.

The don whose lectures were dull, incomprehensible or plain inaudible will have been axed as a result of his "appraisal" - unless he can redeem the dam-

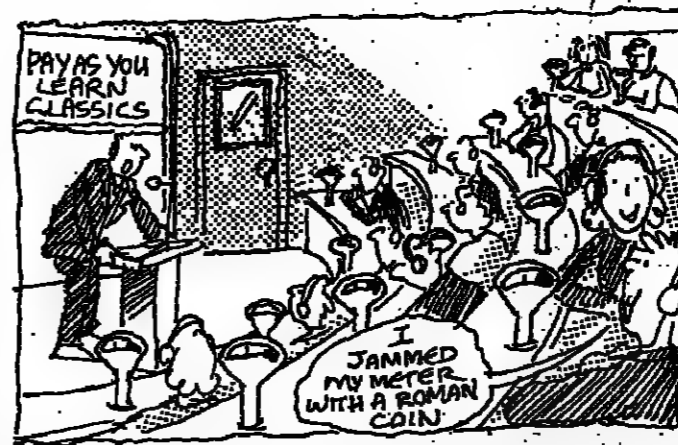
nation of his students by the number of "citations" accrued to his name. When one don mentions, in writing, the work of another don, then that is a citation. There will be staff at the funding council's offices, apparently employed to comb through the learned journals keeping tally of all the citations. Those who score low will be reprimanded; the excuse that they have been too busy teaching is unlikely to impress the nabobs of international academic esteem.

In the marketplace of uni-

versity education, wealth will create wealth. Departments which attract private funds will be rewarded with extra public funds. Professors who set records with citations will be given extra discretionary payments. These will be administered secretly; when Professor X purrs into the college car park with a shiny new motor, we shall know that he has a better brain than Professors Y, W and Z.

Heads of departments and college principals will be managers, in some cases seeking funds with all the decorum of an organ-grinder's monkey. It will not be easy to persuade customers to buy Old Sanskrit, however cheap. Nor will it be easy to obtain funding for disinterested scientific research. (By "disinterested" I mean the sort of research conducted for the sake of curiosity - the sort which, in the past, has led to most of our major scientific "discoveries.") This type of inquiry is often pure angling in the lake of darkness.

The chances are that a company with a financial interest in practical applications of research is not going to commit money to pure, disinterested scientific projects. The market exists for money to be



made, and returns are wanted sooner rather than later.

To put education on a utilitarian basis is, traditionally, regarded with suspicion by many teachers, but to couch utility in terms of market value is not shameful. Socrates, who argued habitually with cronies in the marketplace, used to comment on the sheer uselessness of many of the things being bought and sold around him.

Today's market wares often are short of genuine utility, and knowledge is nothing to fear by selling into competition with them. There are some intrinsic advantages to knowledge. The years cannot tarnish it. Burglars cannot steal it. Vandals cannot break it. It grows within you; once you have it, knowledge is a key

that unlocks many of the conceptual doors at which you find yourself knocking.

Negotiable knowledge, useful knowledge: it should be marketed as such. There are innumerable potential customers. Politicians, for example, might be sent a circular on the lines of "Shamed by your mistakes in British history?" with an offer of in-service tuition. Prime Minister Thatcher herself might profit from such an offer: when she received President Gorbachev last year, she declared that his visit to the Queen was especially welcome in view of the fact that the first British contacts with Russia had been made under Elizabeth I. Nice historical symmetry, but wrong if someone had directed Thatcher to the Voyage of Richard Hakluyt, she

would have known that the first British expedition to Moscow went off with the blessing of Edward VI, not Elizabeth I.

Thatcher would have no trouble enrolling for another degree for, as part of the extending market, universities are being encouraged to take students of mature years. This is an admirable policy. At the place where I teach, a leafy outpost of the University of Wales at Lampeter, I regard my mature students as some of the best. They have spent time in the world of work and commerce. They know what it is to take out a mortgage and insure a car. They know the measure of goods in the marketplace, and they can tell you the value of Virgil compared with a microwave oven. They have taken shares in knowledge, and it brings its own rewards.

We know that, all around us, there is much ignorance of history; many mistakes of spelling and solecisms of grammar; innumeracy; and misunderstandings of elementary science. It is time that knowledge was brought into the marketplace and made available more widely; time that school-leavers regarded their university courses as choices for better lives, not simply steps towards a certain career; and time that universities engaged not only with the young but the old and middle-aged, too. If this is what the Government intends, then it is a valid fiscal policy.

Café society, Prague-style

I SPENT an evening recently wandering round the centre of Prague with György Konrad, the Hungarian writer. Konrad has done as much as anyone over the last five years to put "central Europe" back on the world's mental and political map. He was delighted to find himself walking about a free Prague, and not only for political reasons. He was enchanted (dull would be of soul who wasn't) by the unspoiled nature of Prague's townscapes, and by its unmistakably central European atmosphere.

People who live in such places are often more aware of damage already done than of how much remains undone. Czechs complain of the crass philistinism and eco-belligerence of the outgoing communist regime. No child under one is allowed to drink Prague tapwater, even boiled. A motorway has been driven through the middle of the city.

The visitor's eyes widen. What strikes one, compared with Western and even most "Eastern" capitals, is the relative absence of motor traffic in the city centre. The bottom end of Wenceslas Square, and most of the narrow streets in the Old Town, as well as in the Mala Strana across the river and the Charles Bridge connecting the two, are either *de jure* or *de facto* pedestrianised. To walk through them is pure pleasure - a pleasure that many Czech families take in an unhurried way.

They window-shop more than they shop. It seems though in contrast to Poland or the Soviet Union the shops do have goods to sell. The only queues you see are for literature (especially newspapers - all sold out by 8.30 am - and an instant history of the recent revolution, which sells out as fast as it reprints) and for Civic Forum badges.

The Old Town has restaurants in plenty, usually two floors below street level in the romantic corners of renaissance or baroque houses, where the food is excellent and the clientele more Czech than

foreign, but also young and cheerful, though the waiters can be elderly and sad. They have seen too much, perhaps.

But what inspired Konrad to ecstasy was the cafés: cavernous great interiors, whose decoration cannot have been altered since 1939; not dingy exactly but nursing their own quiet melancholy, not empty, certainly, but dignified, with room to move about.

You cannot order beer. You and I may think of Pilsener Urquell as a noble drink, but in Prague it belongs in beerhalls, not cafés. (Which explains why Franz Kafka and Jaroslav Hasek, author of *The Good Soldier Švejk*, never met, although they were contemporaries and drank within a few hundred yards of each other.) Grog on the other hand - small glass of brandy, large glass of hot water - is quite the thing on a winter evening.

We peeped into the restaurant on the ground floor of the Municipal House (Obecní dům), in Republic Square, and could hardly believe our eyes. In the middle was a small dance floor on which about a dozen couples of various ages were performing what looked like a fox-trot, to accompaniment provided by five elderly gentlemen in full evening dress, playing trombones and a clarinet.

None of this, Konrad assured me, can be found any longer in Budapest, where brash Western-style commercialism has already taken over. Eager young entrepreneurs have moved into such places to gut, redecorate and reopen, charging prices only foreigners or fellow-puppies can afford; and the pleasure of walking the streets has been lost to the motor car, as in West Europe. Czech readers or friends of readers, before you plunge into the joys of the Free Market, think whether some things that communism has preserved, no doubt unwittingly, may not somehow be preserved under capitalism, too.

Edward Mortimer



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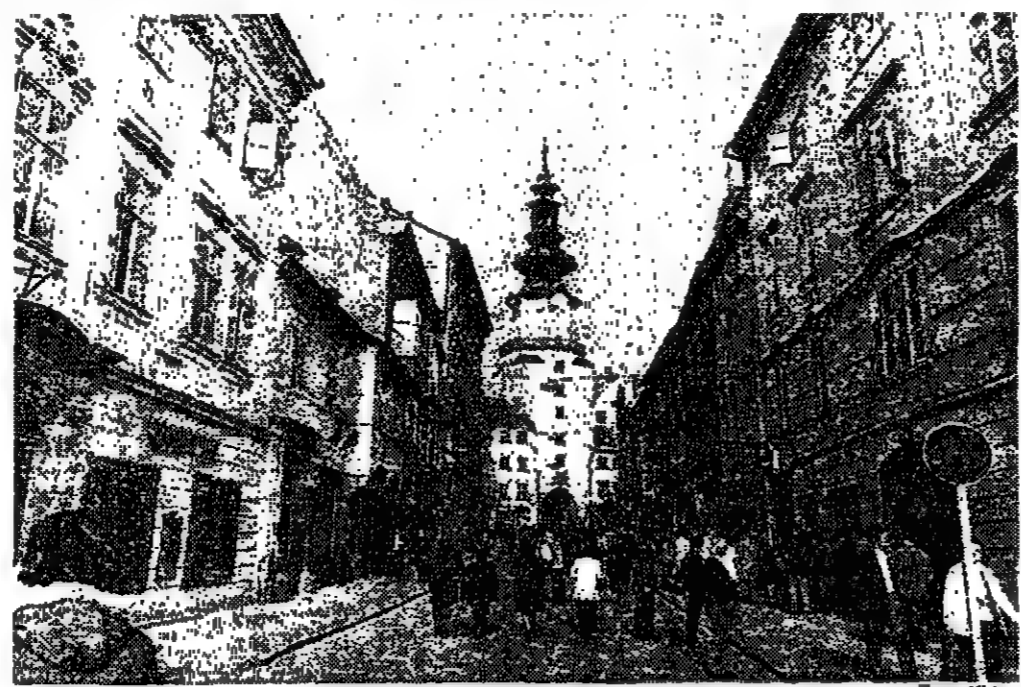
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Peaceful streets at The Old Gate and Town in Prague

Terry Kirk

Double-edged assets

Alec Russell takes a look at life in the new Romania

LUCIANO HORVATH goes to bed each night as if in training for a polar expedition. Luciano is no feeble invalid. He even has a heater, a prized possession, positioned in the centre of his capsule apartment. But the single bar fire is a double-edged asset which Luciano can ill afford, and consequently it is seldom lit.

Shivering is a well-established Romanian tradition. In a favourite joke circulating during the Ceausescu regime, a wife scolds her husband, saying: "Quick, shut the window, don't let the passers-by catch a cold!" But as I survived my home for the next few days I found it hard to smile.

The morning light provided little solace from the gloom. Luciano's residence, Flat 22, Block 72, Area 6, looks out over grey, sprawling landscape of identical crumbling tower blocks. Downtown Bucharest is a depressing legacy from the Ceausescu regime.

I met Luciano at dawn a few days ago at Bucharest station, a Kafkaesque nightmare of growing trains and bellowing officials. Shadowy figures, stooped against the cold, drifted through the dense fog. A hand clutched my arm, a pair of ferret eyes set in a Mongolian face materialised through the mist. "You have cigarettes?" Black market exchange rates can command a 10-fold rise on the official market. But my hands, obstinately but wisely, refused to budge from my pockets. The Genghis Khan lookalike vanished in search of other prey while we crunched and slithered our way along the treacherous platform.

More acquisitive figures drew near, asking for coffee or chocolate, luxury items almost unobtainable under Ceausescu. My recently acquired Romanian minder pulled me aside, saying: "Gipsies. Be careful." But I had long since exhausted my supply of western luxuries, during a bizarre journey through eastern Europe.

Originally booked on a side plane to Bucharest, I and three others were redirected on a Czech plane. Unfortunately, on touching down at Prague the pilot refused to go on. Bucharest was still a war zone. It was Saturday night. There were no flights out for three days. We were two visas, two boarders and a thousand kilometres short of our destinations.

The Czech authorities were unhelpful. "At this time nothing is certain," they were told, but they did conveniently avert their gaze as I wrote out a forged accreditation. The

Hungarian official, clad in an intimidating neo-Nazi uniform, was initially less pliable. "Problems, problems. You must get out." It was 3.30 am on the Czech-Hungarian border. I spoke neither language and understanding I was unenthused.

However, newly-made friends including bizarre Romanian-speaking Bolivian called Herman - rallied to our aid. The tears and the blonde hair of one of my companions, followed by a rendering of "Romania Libera," completed the deal, and we boarded a train for our destination. Less than 24 hours after leaving London I was in Romania, exchanging precious sips of Johnny Walker in return for exclusive rights to the life



story of our *chef du train*, Stefan Stefan, like many others, was forced to join the Communist Party to save his family's future - there was no social security under Ceausescu. But his party card is now in ashes. His conscience is clear. A chorus of "Libertate, Fraternitate and Romania Libera" continued unabated all the way to Timisoara.

A few weeks ago the crowds were chanting "Timisoara awakes." It duly did, and in doing so roused all Romania. But at 7 pm it was very much asleep. Snow was falling lightly, as on a Christmas card, but glowing cigarette ends betrayed the muffled soldiers. Flickering candles marked the sites of the fallen martyrs of the riots led to revolution. In the eerie silence and bitter cold, the hotel Banatul, for all its austere communist facade, briefly beguiled - I was very hungry. For nearly five minutes the receptionist ignored my attempts to catch her eye. Finally I plucked her arm - a mistake. She swallowed a final mouthful of bread and ham, smiled benignly, saying: "The restaurant is closed."

I learnt fast. In Romania you eat what, when, and where you can. But deprivation has not turned the people into barbarians. Courtesy is *de rigueur*. Those queuing for scanty supplies wait patiently and qui-

etly. There have been reports of looting and hoarding, but everywhere people insist on sharing their food, possibly aware that in a country where provisioning still depends on contacts and rumours, strangers can often go hungry. Where possible I reciprocated. Nicolae Streanul hadn't eaten chocolate for nine years, let alone Toblerone!

But black marketeers and spies apart, the Romanians do not seek material gratitude. They want information and advice. Time and again in Timisoara I heard the anguished words: "We know nothing of democracy. Tell us, help us."

At the foundation meeting of the Timisoara students union, as guest speaker, I was asked to draw up a constitution and plan of action. Grizzled students, veterans of a bloody revolution looked on in wonder as I outlined the democratic procedure. Their candour and naïveté were captivating and yet terrifying. Materialism and capitalism are considered irreproachable; they symbolise the escape from the years of oppression.

Janos Marosian, a Hungarian student, eagerly explained his plan for creating a computer empire, before concluding humbly: "Tell me Alec, how do the west do it? Many requests were simpler but just as poignant. Zoltan sought information on bridge tournaments. He has played in secret for years the game which Ceausescu banned in a fit of pique against his card-playing son Valentin."

After a few days I left Timisoara, a city still sadly rent by conflicting emotions of grief, anger and joy, for Bucharest. There I met the aid plane, my original means of transport, supposedly packed with food and medical supplies. It was a sickening experience. The mission, accompanied by Prince Paul of Romania, was a huge media hype. People emerged from the plane clutching bags of oranges as if to say: "Don't worry, Romanians, here we are."

That night I returned to Block 72 feeling depressed. But you cannot stay depressed for long in Bucharest, there is too much enthusiasm and excitement. Crowds gather at corners to read petitions, exchange views and swap information. Metro stations, post offices, even shops are cauldrons of discussion.

Bucharest is still hideously repressed. But the amazing Romanians have not been cowed by years of oppression. The erstwhile Paris of the Balkans looks set for a revival.

Smile, you're on a Commons camera

Sue Cameron on the televising of Parliament

DAVID MELLOR, the bespectacled, chubby-faced Home Office Minister in charge of broadcasting, could scarcely contain his adjectives as he sat in the studio with his eyes fixed on the TV monitor.

"It's amazing," he breathed. "Fascinating. I never thought it would be so good." In the way of politicians he paused to examine his words, checking for misinterpretation. "I suppose what I really mean," he said, "is that I never thought we would be so good."

Mellor's reactions to the televising of the House of Commons were those of many MPs. Like him they have discovered that they are good box office. Like him they are somewhat surprised by the fact. Proof of satisfaction with their performance lies in their lack of criticism. In the first five weeks of Commons TV, Channel 4's *Parliament* programme showed no fewer than 178 MPs speaking at least once in the chamber or in committee. None of them complained that their speeches - or, worse, their bald patches - had been unkindly cut.

Broadcasters are hoping this happy state of affairs will continue. Next week representatives of all the TV companies will go before the Select Committee on Commons broadcasting to plead for some relaxation in the rules. At present what viewers may see from the Commons is highly restricted compared with most other European countries' legislative assemblies. Even in the emerging democracies of the East, camera crews seem able to roam at will around the assembly. But at Westminster it is very different.

Our rules, pushed through last year to placate the anti-TV brigade in the Commons in order to get the show on the air, permit only head-and-shoulders shots of whichever MP is speaking, plus shots of the Speaker and occasional long shots of the Chamber.

Admittedly, the rules have been interpreted flexibly. For example, a head-and-shoulders shot of an MP making a speech can be deep and wide enough to take in the heads and shoulders of his neighbours as they nod sagely at his remarks. (Rumour has it that those who do the best are so good at speaking parts as yes-men.)

Yet the present rules still include a ban on wide shots showing groups of MPs reacting to what is being said or vying with each other to catch the Speaker's eye. It is the lifting of this ban that broadcasters will press for when they meet MPs on Monday.

Glynn Matthias, assistant editor in charge of Parliamentary programming at ITN, and one of those who will be at Monday's meeting, explained: "What we want is to be able to give an accurate impression of events in the House. At present we're precluded from doing so because of the restrictions on shots showing the reactions of MPs at key moments."

The ban on reaction shots, except when an individual member is mentioned by name, means it is sometimes impossible for viewers to gauge the House's mood. A head-and-shoulders shot of a front bench in full flow may give the impression he is making a persuasive speech. But, if the rest of his party is sitting glum-faced and silent it's a sure sign that he and his policies are in trouble.

The restrictions also mean the public is being short changed on some of the best

drama in the Commons. Take the procedural rumpus on the floor of the House after MPs returned from their Christmas break. One of the highlights was provided by Dame Janet Fookes (Conservative). The laser beam look she cast at one of her opponents was worthy of Medusa and featured prominently on TV news that night. Viewers were not permitted to see the perturbed member at whom her gaze was directed. Dame Janet had not mentioned him by name - she had merely looked. And under the rules, his reaction could not be shown.

A greater choice of shots could also help broadcasters to solve the odd technical problem: it is all very well politicians adjuring voters to "watch my lips." But when dozens of MPs are trying to attract the Speaker's eye, the people controlling the cameras objectively find it hard to decide which lips are legitimate for

Commons arresting a newspaperman in the City, people turned out in his support.

They made a spirited but unsuccessful attempt to hang an officer of the House from a lamppost, and destroyed Lord North's coach at the very gates of Westminster, dragged North from the wreckage and beat him up. North burst into tears on the floor of the House. After a few convivial weeks in the Tower, where his bar bills were met by the City, the Lord Mayor was released to the plaudits of the multitude.

Whether the MPs of the day were more frightened of misrepresentation or of accurate reporting is not always clear. However, MPs' fears of the cameras have not been realised. There has been no public outcry about MPs' behaviour, as there was over the noise they made when the Commons was first broadcast on radio.

Predictions that the House would be forced to make



In focus: MPs at Westminster

broadcasting purposes. What they do is to cut to a shot of the Speaker while technicians try to pinpoint the right MP.

The Lords like to think of themselves as not only the senior but also the more sensible House. Instead of official cameras slung beneath the gallery, as in the Commons, the Lords have five - more usually three - cameras high up to give an overall view and two mounted on tripods at either side of the Throne. Pictures from the Upper House are taken from the same level as the Peers and there is less looking down on heads as happens in the Commons.

The broadcasters are hopeful about persuading MPs to relax the rules, but they are not over-optimistic. They are well aware of the Commons' fear of being shown in an adverse light by the media.

In the 17th century, newspaper publishers were forced to apologise on their knees at the Bar of the House for daring to print cuts of Parliamentary debates. And the Commons passed a motion forbidding newsletter writers to "intermeddle" with its proceedings by reporting them - no matter how briefly or factually.

In the 18th century, MPs were still trying to stop the electorate finding out what they were up to. George III was at one with the Commons in thinking it "highly necessary that this strange and lawless method of publishing debates in the papers should be put a stop to." But when the Lord Mayor of London prevented the

changes for the sake of the cameras have also proved false. Leaving aside accusations from Labour's Tony Banks, about a certain MP dining a toupee for TV, the only discernible change is that front benchers have stopped putting their feet on the dispatch box. That and the Prime Minister's change of tone. Thatcher voted against cameras in the Commons because she feared she would seem shrill on the small screen.

However, she has quickly found that she does not have to shout to make her points. Downing St is said to be "over the moon" about the cameras, not least because Conservative private polls show that Thatcher is doing better than Kinnock on TV.

And TV may be giving the Commons a new prominence not least with Whitehall. When Sir Peter Gregson, Permanent Secretary at the Department of Trade and Industry, was summoned before a Commons Select Committee to answer allegations about sweeteners for the sale of Rover, he remarked that he believed sweeteners were what some people "put in their tea."

It was the kind of elegant evasion beloved by Whitehall - but Whitehall was not amused. "Saying it was one thing. But having it broadcast on the main television news was quite another," said one civil servant.

■ Sue Cameron is presenter of Channel 4's daily *Parliament* programme.

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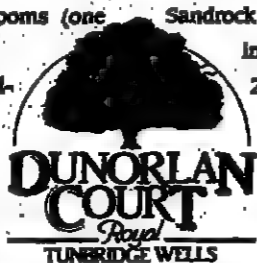
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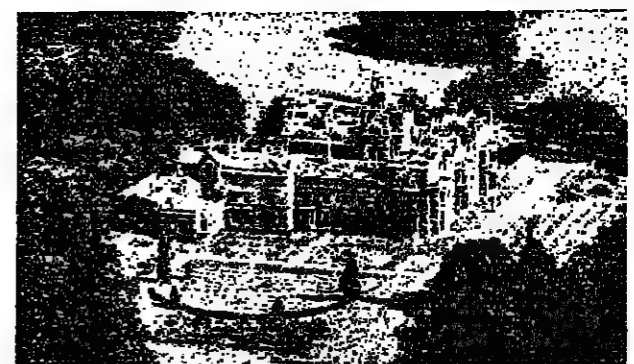
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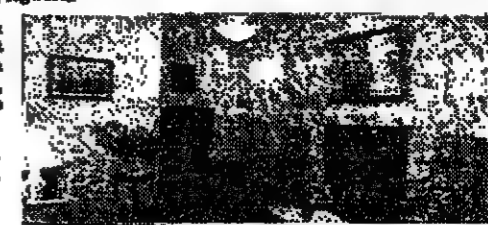
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FOOD AND WINE

THE WINES of Château Figeac in St. Emilion are exceptional and are made by one of Bordeaux's most dedicated proprietors. In a district dominated by Merlot, the vineyard is 35 per cent Cabernet-Sauvignon, 35 per cent Cabernet-Franc (here known as Bouquet), leaving only 29 per cent of Merlot and 1 per cent Pressac (Malbec).

This gives them a distinctive style and often a smoky aroma when young. The owner, Thierry Manoncourt, who lives with his wife in a large, somewhat English-manorial-style chateau, first made the wine in 1947. He is a trained oenologist, who 40 years ago (and even today) were not that common among the important chateau proprietors, although they employ them.

The locally untypical grape-blend suits the soil composition of the estate, whose 27 ha form one of the biggest St. Emilion vineyards. It was formerly larger, but about 150 years ago the owners, the de Carle family, sold 12 ha to an employee whose daughter married a Fourcaud-Lausac who established St. Emilion's most celebrated estate - Cheval Blanc.

M. Manoncourt has never ceased to regret this partition because it included part of the special terroir, more common in the Médoc, of which Figeac has an important proportion and which extend into neighbouring Pomerol and occupy part of the vineyard of Ch. Pétrus.

For Manoncourt his wines are at least as good as those of Cheval Blanc, but they were not given the special "A" status awarded only to Cheval Blanc and Ausone among the St. Emilion Premier Grands Crus when the classification was made in 1955. However, in the next review of the classification, due in this decade, he intends to apply to be upgraded. He has not forgotten that in the disastrous vintage of 1963, his was the only chateau allowed to put *Premier Grand Cru* on the label, a subtle omission probably noticed by few on that of his neighbour.

The regular visitor to Figeac is likely on arrival to be led off to taste a range of the more recent vintages, some of which, together with their seniors, will later appear on the dining table. However, it was a rare occasion to taste recently in Paris no fewer than 34 vintages from 1905 to 1988 - laid out in the splendid, paneled upper-floor private dining room of the distinguished Taillevent restaurant. This had been arranged by Mr. Bignon, Deputy Mayor of St. Emilion, and the wines came from the chateau and were introduced by M. Manoncourt and his wife, Marie-France. The wines were opened in groups, with the older vintages first, and were interspersed by modest-size courses of delectable but not over-dominant food. Here are my brief notes, made as the wine was served.

1905 (magnum) Surprisingly big colour, quite an elegant, raspberry nose, but a thin taste that reminded one of Pineda des Charentes, which very

The distinctive style found in Figeac's finest

Edmund Penning-Rowell samples the best years of a famous Chateau

much tied in with my perception. Though this bottle had not come directly from the chateau it had been bottled there, so the curious taste was particularly surprising.

1906 (magnum) This was a much better vintage than 1905, yet this bottle had less colour, a clothy smell and a sharp taste, with some decay. Some fruit did develop in the glass, but this was disappointing.

1911: A vintage with little reputation, but I had once drunk a very fair bottle and so was this one, with fair colour, a very big aroma, slightly porty, and a taste of boiled sweets. A little decay showed in the glass after a while.

1924 (magnum) The gap in vintages was less than might have seemed, because up to 1920 the vintages were poor, particularly during the First World War. Until 1924 only 1920 and 1921 were fine. This magnun was lightish in colour, and had an old, tobacco nose, though the flavour was thin. It showed a little decay, yet nevertheless marginally held up.

1926: This had rather more colour than the 1924 but had little aroma at first, although this developed. A dry wine, with some fruit and still tannic - a marked feature of the vintage that has seldom left it.

1929: More colour for this famous vintage, with some residual richness on the nose, round, elegant old-claret flavour, still there, but only just.

1934: The first year in the 30s to be declared a success, but in fact the Médocs were excessively tannic, though St. Emilion and Pomerol produced some notable wines. The Figeac here had a big colour, lovely rich nose and a real St. Emilion roundness of flavour.

1937: The next year to be hailed in this miserable decade, but generally arranged by Mr. Bignon, Deputy Mayor of St. Emilion, and the wines came from the chateau and were introduced by M. Manoncourt and his wife, Marie-France. The wines were opened in groups, with the older vintages first, and were interspersed by modest-size courses of delectable but not over-dominant food. Here are my brief notes, made as the wine was served.

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ful colour, a vanilla nose and a rich flavour. One of my three favourites of the tasting.

1949: Huge colour, a vegetable, asparagus nose, a strong, rather Cabernet taste; unbalanced. Opinions differed among the tasters as to whether this was superior to the 1947, but the vote went narrowly, 8-8 in favour of the 1947. Others thought the 1949 had more future - splendid optimism for a 40-year-old claret.

1950: Very big colour, a fruity nose and flavour, but ended flat; possibly a little oxidised, yet remarkable for a very moderate year.

1952: A superior year for the right bank wines. Good colour but less than for the 1950. But an attractive bouquet and plenty of flavour, though less character than expected, perhaps less than the best of bottles.

1953: More colour than the 1952. Fragrant bouquet, soft yet very well bal-

anced flavour. A rich, complete wine. Another of my three favourites.

1958: Medium colour. Quite strong on nose and palate. Lots of life, though not the character of the 1953 or such a good balance, but it might still develop. An esteemed Figeac vintage.

1961: Very big colour, typical of this celebrated vintage. Peppery nose, rich, well-rounded, but lacks a shade of the distinction looked for in a 1961. I have had better, fuller-bodied bottles from my own cellar, but a wine generally now at its best and to be drunk.

1962: Brown-coloured, soft, quite sweet on the taste, but lacks firmness at the end.

1964: Very full colour. Rich, fruity, distinguished nose, and a very classy flavour. A wonderful wine and I preferred it to the 1961, but the vote was 10-7 for the latter. A well-known Figeac success, and the third of my favourites in the tasting.

1965: Not great colour, a fine Merlot nose. Very agreeable, but lacks structure, and to be drunk up.

1970: Very big colour, firm aroma, some acidity. Not showing its best, but should develop a little.

1971: Rather less colour, less backbone, but easy drinking, as I have remembered it over the years. This was a favourite of M. Manoncourt.

1975: Big colour, strong aroma. Fruity and less tannic and hard than many 1975s, but still unyielding. Will it develop?

1976: A much softer wine. Light in colour. Very agreeable wine to drink now.

1978: Very good colour. Very closed on nose and taste. Seems to have plenty of body but at present lacks charm.

1979: Lighter in colour and more forward on the palate; an easy, approachable wine for current enjoyment.

1981: Medium colour, not very distinctive nose or flavour. Acceptable but lacking character. (Yet a bottle drunk a few days later had a typical smoky Figeac aroma, much more flavour, and a sweet opening, but still tannic and -)

1982: Very big colour, powerful nose, and a much finer, fuller-bodied wine, now rather closed-in as expected. A keeper.

1983: Medium colour, much more developed, lovely nose. Well-balanced, probably likely to develop fairly fast, and certainly to be drunk before the 1982.

1985: More colour than the 1982. Also a richer nose. Full-flavoured, lovely, fruity, well-balanced wine that should develop well.

1986: Like all the fine clarets of this year, a firm wine, distinctly tannic and withdrawn on nose and palate. Decidedly backward, but plenty behind it.

1988: Full colour, fruity, sweet and appealingly rich at the moment. Should turn out very attractive.

M. Manoncourt does not undervalue this wine, whose annual production averages 120,000 cases (1,000 dozen bottles). The opening, ex-cellar price last summer for his 1988 *grand vin* was FF. 110 a bottle (c. £10.50).

Food for Thought

Herbs, spice and everything nice



LAST WEEK, I had lunch at a new Thai restaurant in Chelsea's World's End. The Bussabong Too (11a Langton Street, London SW10, tel. 01-352-7517) is the last incarnation of the now-vanished Bussabong in the Fulham Road which was for decades the sole decent outlet for Thai food in London.

After the meal, I asked the owner to explain the delicate spicing at the heart of Thai food. I was swamped immediately with a litany of names: coriander (root and branch), lemon grass and lime leaves, coconut milk, galanga, ginger and Chinese ginger, chillies and curry pastes.

She explained that dishes containing the appetising word "yum" contained lemon grass, as in tom-yum (lemon grass soup). Similarly, the word "kha" on the menu means that the predominant flavour is that of lemongrass. Virtually all Thai food contains coriander in some form or other.

Another Thai seasoning which extends throughout east Asia is soy sauce. This is made from rotting fish innards and is used instead of salt.

As early gastronomic writers like Thomas Love Peacock were quick to point out, soy is a descendant of the Roman garum, which was manufactured in such quantities in Constantinople that the city was said to stink of it. In India, dishes are still flavoured with the resin called asafoetida, another Roman favourite now lost to the West.

As a general rule, the more steamy the climate, the spicier the food. The blandness of English food is relieved only rarely by herbs or spices of any kind unless you count sage - surely the most under-performant herb in the battery of the kitchen.

The closer you get to the equator, the more likely you are to be set on fire by chillies: chili in the centre of Africa, harissa in the north. They are a gastronomic cliché in Mexico, throughout Asia and in Europe as far north as the Pyrenees.

Chillies are omnipresent in Spain where they turn a counterpoint to that other standby, saffron. I had not realised saffron had such a big role to play

in Greek food until a friend brought me back a big jar of the red sort from Crete. The only other thing of kitchen interest he could find me was dried oregano, which is a staple herb in Italian cooking along with basil and pine nuts, rosemary and thyme.

Herbs and spices add a national signature to dishes, which might be why it is so hard to put your finger on a national English-style cuisine. It is a widespread in Turkey that a friend refers to it as "Turk's armpit".

Caraway is ubiquitous in central Europe, and crosses the border into France to be scattered over vile-smelling Munster cheese in German-speaking Alsace.

In the rest of France, herbs and spices are as much at the mercy of fashion as the length of women's hem-lines. Tarra-gon was all the rage a decade ago until it was ousted by chives.

These achieved such popularity that a restaurant called La Ciboulette became an overnight success in the middle of Paris. It closed its doors only a few years later, although I cannot say if its failure was because of a change in herbal fashion or to some more mundane cause.

Even in England, leading chefs are prone to herb fashion. Anton Mosimann is particularly susceptible to coriander. A favour while is extremely unfriendly to wine, something I discovered with my coat at a mix-and-match wine and food tasting at Mosimann's Club last year.

After a long day of food in

wine, the classic flavours we associate with the French table remained regional until 1789. The cooking of the Ancien Régime court did not rely on herbs and garlic. Those spices were introduced after the Revolution, along with salt, cod, nougat, green olives and tomatoes.

Garlic brought the biggest change, as was recorded by a writer named Grimod de la Rénière at the beginning of the 19th century when he wrote: "A number of Provencal ragouts have become fashionable since the Revolution."

"Garlic was hardly tolerated in our kitchens before, cooks themselves only using it on the sly. The very name used to be sufficient to give the vapours to our little mistresses of the court and city. Since 1789, it has become an almost vulgar seasoning in Paris."

"Not only do cooks make no bones about using it but the most delicate of women do not scruple to partake of ragouts where its taste is dominant. The freshness of their breath has undoubtedly changed but, as everybody is following the same diet, no one is certain enough of his or herself to offer any reproaches."

The arrival of herbs and spices after 1789 was the signal for the overturn of court cookery and the introduction of the Revolution into the kitchen, just as a little spice has been at the heart of most of the positive changes which have taken place on this side of the Channel in the past couple of decades.

Giles MacDonogh

HYDE PARK has always been a great source of pleasure, not just for Londoners but for its many visitors who marvel at this vast expanse of green in the centre of the city. But for anyone interested in restaurants, crossing the bridge over the Serpentine lake presents a dilemma - the finest location for any restaurant in London was boarded-up in November 1989.

As the photograph shows, what was the Serpentine Restaurant is now hidden behind green boarding. It was never a particularly attractive building to look at or sit in and its last incarnation, owned by the Department of the Environment and managed by Trusthouse Forte, was an unhappy affair. Now that plans to build a new restaurant are at the preliminary stage, let us hope that this site can fulfil its enormous potential.

The old restaurant was designed by Patrick Gwynne and opened in 1964. Like so many buildings of the 1960s it has aged awkwardly. Even when newly-built it was more a building to look at from across the lake than to sit in. It has, in addition, a flat roof, always the kiss of death in a wet climate.

Maintenance costs rose from the mid 1970s and brought increased operating expenses (moving tables to avoid the drips?). Trusthouse Forte found itself powerless to do anything but apologise to diners complaining of leaking roofs as, under the terms of its contract, at least part was the responsibility of the Department of the Environment.

Finally, the economics of keeping the building in even reasonable repair became so unrealistic that it was decided to close the restaurant, and its last meal was served on September 30 last year. Soon the bulldozers will move in and in the short term the restaurant will become a car park. Then a design competition will be launched, with Westminster City Council, the Royal Fine Arts Commission and English Heritage consulting, and the best design will be chosen and built. Catering contracts will be put out to tender and in four years, at least, there will be another Serpentine Restaurant. I for one hope that everybody involved sees the potential of this site not just for London, but also for the future of British gastronomy.

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Serpentine: a site for success

London's 'perfect restaurant' tugs at Nicholas Lander's heartstrings

this site? Why, when I was a restaurateur, did I always want to get my hands on it? And why, even now I have promised my wife that I will never return to that business, does it still excite me so much?

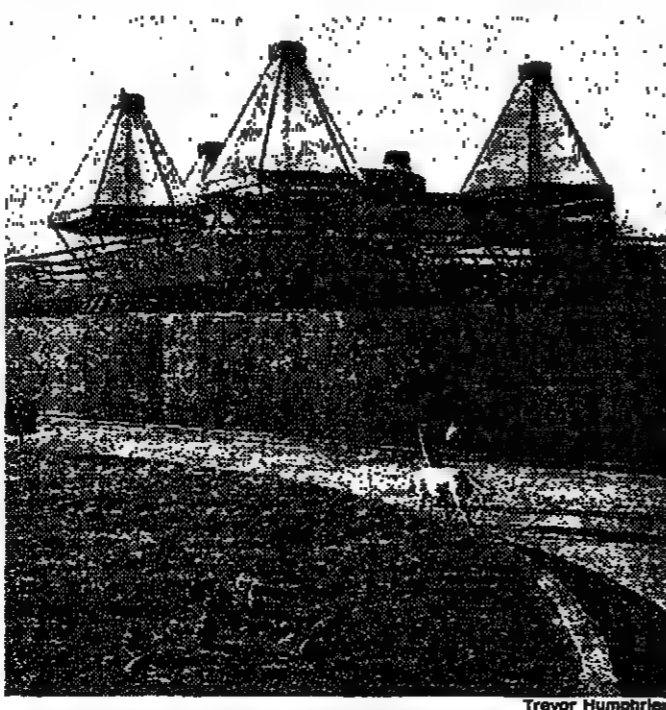
The answer is that this particular location could fulfil all the basic requirements of any restaurateur, and has the added bonus of Nature itself. Its position would not only attract all the customers one would want, but it would be accessible to the two often-forgotten pillars of any successful restaurant: its suppliers and its staff.

However, the natural beauty of the area would be its major attraction. Looking over the lake, the swans and the green of the park would relax even the most tense diner (and even the most harassed chef). The restaurant would not be overlooked by anything other than trees and should spend most of the day in natural light - a great advantage when showing off good food and judging wine.

To blend in with the park the new restaurant and its kitchens would have to be on one level. Indeed, this is how all good restaurants should be so that the food spends as little time as possible travelling between floors and pairs of hands. Sadly, since most London buildings are tall and thin, finding such premises at an affordable rent is virtually impossible. Where this layout is taken as imperative, for example at Le Gavroche, both the restaurant and kitchen

tend to be in the basement and thus without natural light. This would not be the case in the Serpentine restaurant and therefore the chefs, waiters and customers would be happy - a rare combination.

Although there could be a serious shortage of catering staff in the mid 1990s, I believe that this restaurant would have the edge in recruitment over many others. Close to a



Boarded-up but not beaten - the Serpentine Restaurant

number of Underground tube stations and bus routes the restaurant would provide calm and space after a busy service. This restaurant could be special even in terms of the customers it would attract. Not only does it have its own car park (useful for all deliveries too), it is easily and safely accessible on foot from a wide area of central London and from many hotels. The traffic

jams which build up through the park during the day could also provide custom.

At present if you are hungry by the Serpentine there are two choices. In the car park there is a caravan which sells popcorn and soft drinks and at the other end of the lake is the Deli Cafe, where Letitia's Good Food offers a range of healthy sandwiches, a hot dish of the day, cakes, tea and not so healthy ice-creams. Both serve the needs of those who visit Hyde Park, often with children and with limited amounts of money.

However, by the mid 1990s there could be another reason for visiting Hyde Park - to eat, drink and eat in an elegantly designed restaurant in a setting that would be the envy of any other European capital. This location could provide an exceptional setting not just for the architect and the designer but also for the eventual chef and for cooking in the UK.

There is no doubt that such a restaurant would be a commercial success, but in planning such a potential showcase I hope that the DoE will take the long-term view. All successful restaurants need time, love and attention but above all they need a considerable landlord who will forgo short-term gain for long-term rewards. If the DoE could adopt such an attitude towards the Serpentine Restaurant, it could do much finally to dispel the British notion that eating well and enjoying one's food is something to be ashamed of.

West leads the three of diamonds (an obvious singleton), dummy plays the king and East wins with the ace. What occurs in an average game? East gives West his ruff and declarer wins the ruff return, ruffs a heart in dummy, follows with ace and another spade, and makes 10 tricks.

After winning trick one, East sees two more tricks - the ruff and the spade king - but where is the fourth? If West holds the club ace, there is no problem; but if he has the king, it is essential for East to defer the ruff and return a club.

Very nice, you say, but this might cost West his ruff. Not really. The bidding has marked the declarer with five trumps. With six, he would have bid three spades over North's two diamonds. No, there is no hurry for the diamond ruff.

This book will open your eyes to a new world of expert defence.

E. P. C. Cotter

Cookery

Soups for those who are wary about fish

MANY households are divided about fish. Some people can't get enough of it. Others like the taste but are squeamish about the scaly skin, bone, tails, and eyes staring up from the plate. Despite this, their favourite foods may well include smoked salmon, oysters and caviar. Possibly, they don't really think of these as fish because they are served with no sign of potentially offensive anatomical bits.

I have found that those nervous of fish in its unadorned form almost always appreciate bivalves such as scallops, mussels and oysters, and soups are a good way to serve them. Chowders, in particular, are very easy to make. They are exceptionally comforting on wintry evenings and aren't too extravagant.

These wary of eating whole fish often are wooed easily by flaked fish, as served in kedgeree. Mincing fish appeals to them, too, whether poached delicately in the form of quenelles, whipped up into a creamy hot soufflé, or packed into a terrine with layers of spinach and the occasional curl of pink prawn for baking and cutting into pretty slices.

Also excellent (but less usual in the UK) is using minced fish to make fish balls. Perhaps these haven't caught on in Britain because the name, although accurate enough, is none too appealing. Any suggestions for alternative names will be received gratefully.

FISH BALLS WITH LEEKS AND LEMON

Claudia Roden's now-classic *Book of Middle Eastern Food* includes a lovely recipe for walnut-sized balls of beef with leek or spinach. This is my fishy variation on the theme.

It is enough for three people as a main course if served with wild rice on the side, or on a bed of salad. Alternatively, it will serve four to six as an appetiser.

Ingredients: Half-pound or so of cod fillet (weighed after skinning and boning), half-pound leeks (weighed after washing and trimming); 1½-2 oz fresh white bread crumbs; one egg; one lemon; butter; a few spoonfuls of chopped fresh coriander leaves or feathery fronds of fennel or dill, or a



mixture of parsley and chives.

Method: Cut the leeks into short lengths. Steam them for five minutes and blot dry. Put them into a food processor together with ¼ of bread crumbs and whizz briefly to mix.

Add the fish cut into chunks, a generous seasoning of salt and pepper and the lightly-beaten egg. Process (switching off the machine occasionally) to push the food down on to the blades until reduced to a very smooth purée. Work in the extra bread crumbs if necessary; the paste should be light, soft and slack but not sloppy or sticky.

Turn out the mixture onto a work surface. Scoop up a small portion and toss it from one hand to the other to shape it into a ball - a rather loose one given the consistency of the purée. The mixture will make about 15 balls in all.

Heat a large sauce pan (preferably non-stick) measuring about 12 inches across. Melt a scant 1 oz of butter in it. Add the fish balls in a single layer and fry them for several minutes until slightly-firmed and well-coloured all over.

In a separate small pan, bring to the boil four fl. oz water plus the juice of the lemon and a large lump of butter. Pour the bubbling hot liquid into the sauce pan.

Cover and simmer gently for eight to 10 minutes until the fish balls are tender; thoroughly hot, and have absorbed most of the lemon-and-butter liquor. Shake the pan and turn the fish balls occasionally as they cook, and add a little more water if the pan begins to look dry. Scatter with herbs before serving.

BACON & OYSTER CHOWDER
This substantial meal-in-a-bowl makes a consoling and gener-

ous supper dish for four, with cheese and fresh bread to follow. Or, if you serve it as a conventional soup course, there should be plenty for eight diners.

Ingredients: Two dozen oysters, shucked; 10 to 12 oz thick cut streaky bacon; fresh root ginger and garlic; 10 to 12 oz washed and trimmed leeks cut into half-inch thick slices; one large or two small potatoes (to give about 10 oz peeled and sliced flesh); half-pound sweet corn kernels (if using frozen, scald with boiling water to defrost, then drain); 2½ oz butter; one pint gold top (Jersey) milk - plus extra to thin the soup to taste; a little cornflour, tabasco sauce and chopped fresh coriander or parsley.

Method: Melt the butter in a soup pan and put the prepared leeks and potatoes into it. Add the bacon (cut into dice), two teaspoons finely-chopped ginger and two to three finely-chopped garlic cloves. Stir, cover and leave to sweat gently for five to eight minutes.

Cream one tablespoon cornflour to a paste with a little milk. Put it into a food processor, add the sweet corn and whizz briefly to make a knobly purée.

Stir the sweet-corn into the soup pan. "Wash out" the processor bowl with the rest of the milk. Add it to the pan together with the juices drained from the oysters and three

HOW TO SPEND IT

The rise and fall of the house of Gucci

Lucia van der Post on troubled times for a famous brand name

IT'S BEEN a rotten decade for the grand old house of Gucci. Years of bitter inter-family feuding ended with the death this week of Aldo Gucci, the last surviving son of the founder, Guccio Gucci, and with the name of Gucci at an all-time low.

Aldo was the Gucci generally credited with turning what started more than 50 years ago as a small Florentine saddlery into an internationally sought-after brand name. He was the Guccio who put the pair of crossed Gs on to everything from leather notebooks to handbags, the Guccio who led the company into the golden era when, as one obituary put it this week, "few film stars or members of the jet-set were ever seen without a Gucci accessory".

The company today must look back misty-eyed to those glittery days when pictures of Grace Kelly wearing a Gucci scarf, when Farah Diba, Sophia Loren, Audrey Hepburn, the Duchess of Windsor and countless major and minor royals all helped to make Guccio-owning the sort of club one wanted to belong to.

It's no secret that the name of Guccio isn't what it was. Business may still be surpris-

ingly good. ("In fact it is in much better shape than the name," said one Guccio spokesman last week) but the name itself has become debased. Even those far less elevated than the Princess Graces and the Sophia Lorens of this world no longer want to be photographed sporting anything with the GG initials.

Partly it is a matter of the times we live in. As one of the interviewees in a survey of the life and times of the successful Euro-manager put it: "You simply cannot wear things with initials now." It reeks of trying too hard. Not surprisingly, the sort of thing the real Eurocrats want is to look as if he had bought all his clothes in a duty-free shop. But it is also because no matter how blue-chip the brand or name it still needs constant refreshing and reviving, and during the days when the Guccio family was providing daily melodrama to fill the tabloids (flying ashtrays, accusations and writs seemed to appear more regularly in boardrooms than decisions) nobody was free to pay enough attention to basics.

The result has been a curious gap between image and quality. Almost everyone I asked who had looked at the

Gucci range agreed that quality was probably still as high as ever, but so tarnished had the image become that they themselves would only consider buying or wearing a few select items. Ask around among the fashion cognoscenti and they will tell you almost to a man (and woman) that while the bags are stunning, while they long for a pair of the men's loafers, while some of the silk scarves are beautiful, the handbags stunnings and the simplest of the leatherware excellent, everything else is... well... either unthinkable or just plain dull. It looked as if nobody had given the styling any thought for a long time.

Grand names need either to be so supremely grand and wonderful that people are almost in awe and ready to sign away their holiday savings to buy a little of the glamour, or they need to camp it up a little, to add a little wit, some insouciance. Chanel, for instance, has made its quilted handbag so universally desirable that any number of those who are not notably rich have begged themselves to own one. Hermès took a rather stodgy name and by taking its once hallowed motifs and slightly mocking them have rejuvenated it. The Hermès scarf, which in recent memory was seen as almost ridiculously status-seeking and self-conscious, is once again sought-after by the chic and the glamorous.

Gucci's problem is one many of the blue-chip names have had to face as they seek to expand - Ferragamo, Cartier, Dior and many more have sought to retain their status, their reputation for quality and classicism and yet broaden their appeal to taken in a younger, more fashionable market. As competition heats up in the luxury goods market it looks as though the 90s are going to see more of them trying to accomplish a finely-tuned high-wire act - here we are, they seem to say, expensive, exclusive, aspirational, and yet, you, too, if you are ever so lucky and possessed of exceptional taste, can buy a little of the magic.

But Guccio isn't a grand old name for nothing. Those at the helm - Guccio is currently run by Maurizio Guccio, son of Rodolfo, nephew of Aldo, and owned by a consortium of family members and investors, a Bahraini investment company

- are well aware of the problem and have already set about reviving both the image and the products.

It can be done - many of the Paris-couture houses which seemed to be dying on their feet are now more vibrant than ever (most particularly Chanel, which was almost flat on its back until Karl Lagerfeld was brought in to breathe new life into its tired image).

Six months ago Guccio hired Dawn Mello, generally credited with turning New York's Bergdorf Goodman from a dull, stodgy store into the first stop-plug-off point for every well-dressed New Yorker. She has been given the rather New Yorker-ish title of Head of Public Image and is charged not only with product development (which every Guccio-watcher agrees is badly needed) but also with every aspect of marketing.

So far the word is that Guccio has no plans to hire a grand designer, whose own name might overwhelm the Guccio image, to revive its ready-to-wear collection. Rather it intends to develop a design team that will create in the Guccio tradition. It's a route that Hermès took when it hired Claude Brunet, once a famous Paris fashion editor, to revitalise its image and already the signs are that it is paying handsome dividends. New showrooms have been bought in Florence, new design studio space in Milan.

However, Guccio remains one of the world's great brands, a remarkable example of the curious truth that possessions have a symbolic as well as a purely functional role. From Tokyo to New York, from London and Paris to Seoul and Sydney, the name of Guccio stands for something - and if that something is currently looking a little confused, the 1990s may bring some clarification as well as new life.

In the meantime, if you're one of the many who have been rushing into the Old Bond Street store week after week searching for a pair of the scaled-down version of the men's classic loafers (and I see that among their many fans is the new fashion editor of London's Evening Standard, Lordi Turner, who apparently covers only suede Guccio loafers and a simple Riffat Ozbek slash-neck white tunic) then you had better hurry. New supplies are coming in - but the fashion cognoscenti are onto it.



The Flora design scarf, created by V. Accornero in 1966 and presented to every woman guest at the wedding of Princess Grace of Monaco, is Guccio at its best: classic, enchanting, of highest quality silk twill. £98 now, going up to £110 on February 1.

THIS, as if you didn't know, is the classic Guccio loafer, the one that has earned a place in New York's Museum of Modern Art, the shoe almost every fashion editor in town longs to own, even at £125 a pair (going up to £145 in mid-February). It is a smaller version of the men's shoe (the cognoscenti scorn the one designed for women - "the too," said one pundit, "is a little too pointed, the whole look a little too refined, too Cheltenham"). What they cherish in the men's version is its chunkiness, its guttiness, its straightforwardness. As it seems to be only the women of England who have this curious taste for the men's loafer - elsewhere women seem happy with the one designed for them - supplies



In the UK have been erratic. However, from now on, at 27 Old Bond Street, London W1X 3AA, promises that regular deliveries are on the way. Available in black or dark brown calf, black, navy

blue and dark brown suede - wear it with jeans or with leggings and a huge sweater.

L.v.d.P



Leatherware is still one of the things Guccio does best - this is perhaps the most enduring, the most classic of all its handbags, designed by Dr Aldo Guccio himself. In black or navy calf it costs £565, in black, tobacco or dark green ostrich it is £1,300. The other classic handbag is, of course, the saddlebag which sells these days for £228

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Paying a premium for quality

EARLY pictures from eastern Europe's revolution were shot on the same home-video cameras we use to record less traumatic family events. The recording quality of these small, easy-to-use cameras has improved dramatically over the past few years.

At Independent Television News, for example, they have a collection of battered Sonys that have followed guerrillas in Afghanistan and stalked elephant poachers in east Africa. They are compact and ideal for undercover work.

Of course, there is a great deal of difference in picture quality when clinical comparisons are made between professional and amateur video footage. But even this difference is becoming less obvious with the new generation of high-resolution home-video recorders and cameras.

There are two similar systems. One is called Super-VHS (or S-VHS) and the other Hi-8. Both produce pictures of similar quality but on different formats.

S-VHS is an improvement on the world-dominant home-video standard, VHS. Hi-8 is Sony's enhancement of its 8mm video format.

Both systems are available in video cameras and video recorders (VCRs). But S-VHS and Hi-8 are incompatible, which means that a video shot on a Sony 8mm camera cannot be played on a VHS video recorder.

S-VHS and Hi-8 should not be confused with the new, high-definition television broadcasts, called HDTV, which will eventually replace the present broadcasting standards. Although the Japanese are running test transmissions, HDTV is still in the development stage.

The Europeans want to use a different standard and the Americans, who are some way behind both Europe and Japan in HDTV research, plan to develop a third version.

British Satellite Broadcasting (BSB), the new satellite station scheduled to start in the spring, will be beaming high-definition (but not strictly HDTV) signals that conform to a standard called D-MAC.

Suitable TV sets will, it is promised, receive much better pictures from the BSB satellite than those issued by the BBC, ITV, and rival satellite station Sky. S-VHS and Hi-8 VCRs cannot record the full range of D-MAC signals.

The present generation of high-resolution video technology is an improvement on existing video techniques. It is not HDTV, though.

High-resolution cameras and VCRs cost a lot more than the conventional devices. Ferguson, for example, sells a conventional VHS compact video camera for £700, while its cheapest S-VHS camera costs £1,500. The company's basic

VCR costs £320 while the S-VHS model is £995.

Is it worth paying a premium for better quality? The answer depends on three criteria. First, how important you rate picture quality. Second, how much you use a video camera and watch pre-recorded video cassettes. Third, the quality of your TV set.

Conventional VCRs and video cameras (which are compact VCRs with a lens) reproduce about 360 lines of what is called "horizontal resolution" on the screen. In S-VHS and Hi-8, the technicians have

improved the horizontal resolution to 400 lines. This makes a difference to picture quality. But there are also improvements to the electronic circuitry and the way the pictures are processed.

Luminance (scales of grey) and chrominance (colour) are processed separately and the luminance range has been increased. The effect of these improvements means a brighter, better-defined picture with less distortion on traditionally difficult areas such as checked jackets.

S-VHS quality is very good," says Mike Marston, a news cameraman with Anglia. His company issues S-VHS home-video cameras to freelance cameramen working for its news and current affairs department.

S-VHS and Hi-8 also use new, high-quality tapes that help to reproduce better pictures and sound. (JVC of Japan plans to launch soon a S-VHS VCR that will deliver Hi-8 sound as good as compact disc.)

Improvements in picture quality can be noticed immediately, even when viewed on a television set with the signal delivered through the old-style circular aerial socket. But to get the full benefits of high-resolution video, the picture signals must be sent from the camera or VCR through new-style, multi-pin sockets at the back of the set called either Scart or Peritel. Some TV sets have a special video-input socket.

The new sockets accept the full range of complex signals from the recorders. These TV sets also have the necessary electronics to interpret the signals and deliver better pictures.

Most sets in the shops now have the new-style sockets but cheaper sets may not be able to interpret the full range of signals. Check on this before you buy. Scart or Peritel sockets are also necessary to get the

full benefits of stereo broadcasts and high-definition pictures from satellite.

A high-resolution video recorder does not necessarily record high-definition pictures from broadcast signals. You will probably notice some improvement in the picture quality, but a lot depends on the signal strength in your area, the quality of your aerial, and the type of signals sent by the broadcasters (these vary according to how the programmes are recorded). "I wouldn't buy a S-VHS VCR just for recording programmes off the air. It's a waste of money," says a technician working for a VCR manufacturer.

This means that a S-VHS or Hi-8 recorder is useful only for playing back tapes (such as films) recorded specially for the new systems, or pictures from the equivalent cameras. The VCRs will play back conventional VHS and 8mm tapes but only at low resolution. So, if you replace, say, your VHS set with a S-VHS model, your library of tapes can still be viewed. But the pictures will be no better because the tapes were recorded on conventional VHS.

Does higher quality merit a

much higher price in some circumstances? This depends on what you use video for. If you are, for example, a keen gardener and keep video records of beautiful blooms, then it would definitely be worth the money to upgrade your systems. The same applies to all hobbies that involve records of complex and colourful subjects. You might think it worthwhile to keep a higher-resolution record of your family and children. But the argument is not so persuasive here because conventional video is adequate for the job.

Buying a S-VHS recorder purely for the benefit of watching the occasional rented film does seem rather excessive. But if you can afford the premium and you own a large, modern TV set, it seems a pity not to exploit the available technology.

Better-quality recording on compact cameras helps broadcasters who have to carry cameras into inaccessible regions or smuggle tapes out of oppressive countries. The case is less clear - unless you are rich enough not to care.

Peter Knight

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TRAVEL

Perestroika on the pistes

WHO SAID there was poor snow in Europe? There was masses where we were going, but these good tidings were unfortunately eclipsed by the bad. As we opened our newspapers at Heathrow, the front page headline was: "Gorbachev sends troops to Georgia." The news was largely academic to most other passengers but not for us, for we were heading for Gudauri, Russia's newest and best ski resort, to heli-ski in the magnificently wild and desolate Caucasus, in the middle of Georgia.

There was worse to come when we arrived, tired but elated with anticipation, in Georgia: the news which all heli-skiers dread. There had been an accident with one of the helicopters, announced Simon Skhirtladze, managing director of the resort's Sporthotel, the Austrian-financed nucleus of the heli-skiing operation. Five people had been injured. Two Austrian skiers had been sent back to Vienna by air ambulance. The flight engineer was critically ill in hospital in Tbilisi.

A mixture of dread, panic, disbelief and fear gripped us. An announcement like that is not the best way to start a week of heli-skiing in a remote mountain chain. Nevertheless, we embarked on a two-hour moonlit drive along the trans-Caucasian highway: ample time for us to dwell on the accident and to imagine the other helicopter crashing, this time with us on board. It seemed that the pilot had tried to land the large, ungainly yellow Aeroflot MIR 8 military transport helicopter on a peak after a big snowfall, and had aborted the touchdown in favour of a slightly lower, unmarked site.

There was so much powder snow swirling around in his slipstream that he had misjudged the second landing and the helicopter had cartwheeled into the mountain, sending the engineer - who was not strapped in and had no helmet - crashing across the cockpit. The tail and rotor blades were ripped off and scattered. One of the guides, Konstantine, was concussed and told us that he may never feel able to fly again.

It could have been worse. The injured were rescued by the pilot of the other helicopter, a veteran of Vietnam and Afghanistan. The wreckage has been left on the mountainside. No-one was allowed to take photographs, and skiers were no longer taken to that part of the mountain. Had the accident happened during the first year of heli-skiing last year, when they were using only one helicopter, it could have been much more serious. There would have been no other helicopter to rescue them.

The Russians have quickly followed the North American example and tried to ensure that nobody will sue if things go wrong with heli-skiing. As a result, when it was our



Heli-skiing - at around £300 for 12,500 vertical metres - is the best way to explore the virgin pistes of Georgia

turn to fly, our apprehension was not eased by the wording of the waiver we had to sign.

By signing it, we were told, we were giving up the right to sue. In addition to the usual dangers and risks inherent in skiing, said the form, helicopter skiing entailed certain additional dangers and risks, among them avalanches. Furthermore, the terrain might not have been skied before, and might not be regularly patrolled or examined. We were asked to acknowledge that the "enjoyment and excitement of heli-skiing is derived in part from skiing in powder snow on steep, ungroomed slopes and that the inherent risks... contribute to such enjoyment and excitement."

This waiver may be put to the test by the injured Austrian skiers. Our forebodings, however, quickly evaporated with the morning mist. At 8am, as the sun climbed above spectacular peaks, our replacement helicopter soared towards our first rendezvous, Lomissa. Our party of 10 included an Australian, two West Germans and, reassuringly, Helmut Friza, the resident Austrian doctor who had treated those injured in the crash. Obviously the experience had not dampened his enthusiasm or faith in heli-skiing.

Viennese doctors take it in turn to be on duty for two-week spells to

treat any casualties and run the air ambulance service. We were also joined by Dr Hannes Schmid, a neurologist, who had been flown in to give a second opinion on the critically injured Georgian engineer.

Still unconscious, the engineer had been given less than a 30 per cent chance of surviving. (On the day we left, we heard that the odds

heli-copter which had landed on an awkward peak fell down the mountain, killing some of its passengers. One by one we leapt out into waist-deep snow. Our guide, Kurt Hutegger, unloaded the skis. Sending a maelstrom of freezing cold air and swirling powder cascading into our lungs, the monstrous flying machine rose like a marauding

Europe may have no snow, but there's plenty in the Soviet Union. With one ski-boot in Europe and one in Asia, Arnold Wilson tries heli-skiing in Georgia

dragon above us and veered off to pick up another group. The silence following its departure was sublime. Hutegger led our slightly nervous band along a narrow ridge on what seemed to be the roof of the world. Scores of peaks, all heavy with snow, filled the horizon. To the north towered Mt Kazbek.

During our first exhilarating descent and indeed throughout the week, we encountered every sort of snow from blissfully light powder to breakable slab. Lomissa provides almost 1,000 vertical metres and compares favourably with the sort of vertical drop you would expect to

find on runs in Alberta. In the valley below we were picked up again by our pilot and taken to a run called Merab. Miketi (900 vertical metres) was next, and before a brief break for a snack in the hotel we had time to be dropped on top of Tserdilli (2,490 metres), and to make a return visit to Lomissa.

After lunch we were airborne once more for three descents which we were told had no names. Our last run of the day was Tserdilli again. In one day we had skied something like 8,000 vertical metres. Mixed snow conditions had slowed us down somewhat and robbed us of every heli-ski's aim: an Everest a day. It didn't matter a jot. Hutegger had been a first-class guide, and we had enjoyed a superb day's skiing.

Technically, we may have been skiing in Asia rather than Europe. This part of Russia is a little tricky to place. Even the Royal Geographical Society experts in London admitted that there was some uncertainty about where Europe actually finishes, but after consultation they said that the Caucasus themselves were probably the boundary between Europe and Asia.

David Lees and his wife Pamela, who run Skiing in Georgia from the unlikely location of Lymington, Hampshire, are both avid skiers. She was once in charge of Ski Club

Of Great Britain's representatives, and thus also in charge of him when he was a rep.

Such is the demand for helicopter skiing in Gudauri this winter that our hosts say that all seats are booked until April. But even without helicopters, Gudauri offers excellent skiing for intermediates and experts on the ground. The resort has four recently installed Austrian Doppelmayr lifts, including what must surely be Russia's only high-speed detachable quad. Although there is not a huge selection of groomed runs, those that are there are good, with the lifts giving access to all kinds of tours which involve a little walking or climbing but also an enormous amount of back-country skiing.

Any skier who enjoys off-piste could have a superb week there without going near a helicopter. You never know who you are going to sit next to on a chairlift. During my first ride I was hugged rapturously and given a belated sweet by Viktor Ovsyanyuk, a nuclear physicist from Leningrad who was anxious to keep me warm in sub-zero temperatures.

One of the longer tours, which did involve a tiring climb of half-an-hour or so to scale an intervening ridge, ended with a breathtaking descent to Goli, the remotest of villages in South Ossetia, where an elderly, weather-beaten farmer and his family left their pigs and sheep wandering in the snow to invite us into their poor home. Here they insisted on feeding us some kind of slimy, uncooked pastry with cheese. Hospitality seems automatic even in these troubled parts.

The luxurious Sporthotel, a joint Anglo-Georgian enterprise with a 5 per cent Hungarian interest thrown in, seemed strangely out of place in this forgotten Caucasian valley. But its facilities were welcome for all that. There are two indoor tennis courts, a large glass-walled swimming pool, a snooker room, massage rooms and saunas, a solarium, fitness room, video room, a whirlpool, three bars and souvenir shops. Financial transactions are carried out in "Gudauri roubles" - blocks of funny money used only in the hotel, in which the old exchange rate of one rouble to 21 prevails. The food - some local and some flown in - varies from average to excellent. Breakfast is especially good. The 30 or so rooms are on two levels and have a spacious, American condominium design.

For a little cosy contrast, you could visit one of the primitive Georgian greasy spoon establish-

ments in the nearby hamlet of "Gudauri 2200" after a day's skiing. The food is basic, filling and different; the tea is warm, weak and sweet, but you will need real rubles, of course, plus the patience of Job and probably an interpreter.

The heli-skiing and the hotel, originally run jointly, are now separate. Recently the hotel allowed some 80 Georgians in its residents, but has now decided that this is too many. The management, rightly or wrongly, has decided that Georgians are too noisy and boisterous, so their numbers are being cut to about 30.

Skiers who head for Georgia can build in a day's sightseeing in Moscow and another in Tbilisi, although the current climate in the beautiful Georgian capital is unstable. During our visit - on Russia's New Year's Day (January 14) - we saw some peaceful political protests. Otherwise we were given vodka and wine, and given heat like New Year's hugs and kisses from caravans of Georgian men.

Our flight to Moscow the following morning was fairly grim. Aeroflot does not feed you, and seems to specialise in wide-bodied passengers. Our discomfort was made worse by an unscheduled search for the means of staying airborne. Because of the difficulties in Georgia there is a fuel shortage, and our route became two sides of a triangle as we diverted to Krasnodar in the middle of a Ukrainian nowhere to refuel. Sometimes, if fuel cannot be found, the flight does not operate.

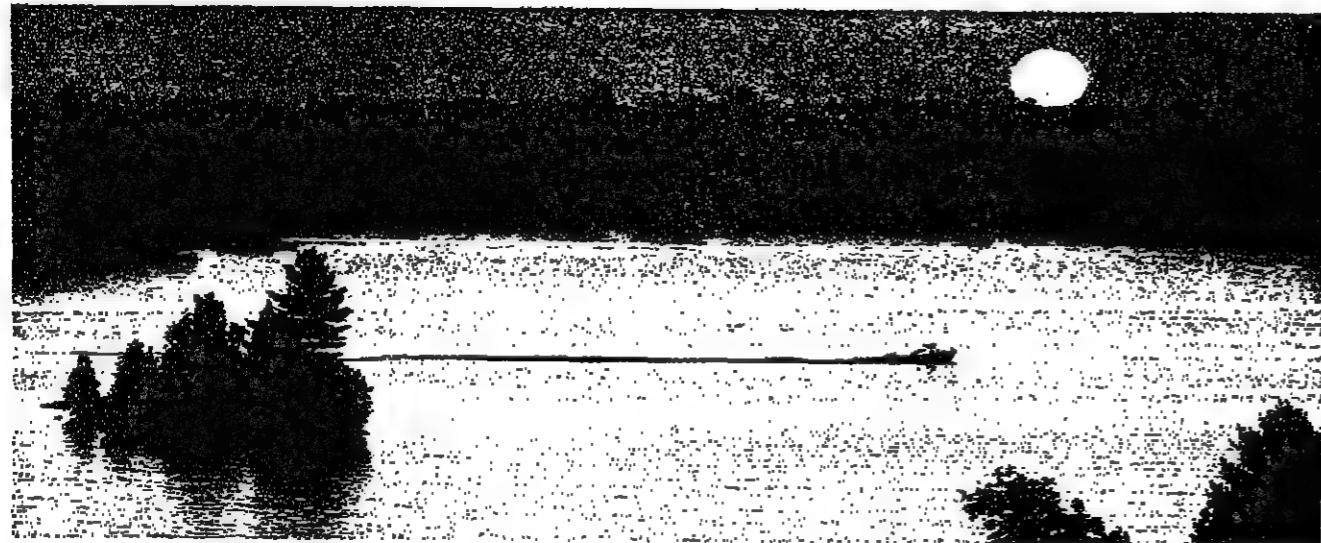
My relief at boarding an Austrian Airlines jet to Vienna to bring me home via a day or so's skiing in Salbach Hinterglemm - and almost immediately being handed a piping hot meal - was immense. The travelling time - around five or six hours flying plus an hour or two between flights at Moscow and a transfer of two hours from Tbilisi - is roughly the same as travelling to the East coast of America, but considerably shorter than going all the way to the Rockies.

Moscow had been bitter but beautiful as we toured the churches and cathedrals inside the Kremlin walls. Even here enough snow was falling to make Alpine skiers lick their lips. If you are snugly cocooned in Gudauri's Sporthotel, the idea of unlimited supplies of it combined with an extremely limited number of skiers to share it with is highly appealing, not to say unique.

Arnold Wilson's visit to Gudauri was arranged by Skiing in Georgia (D. Lees & Co) of Portsmouth, Lymington, Hampshire SO41 3RP, tel: 0690-675446. A week's stay at the Sporthotel (half board, 1000 roubles, flights start at £670, or £880 for two weeks. A weekly lift pass is only £82. Heli-skiing, with a guarantee of 12,500 vertical metres spread over four or five days, costs around £300 extra.

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Thursday. It's been quite a day. Sipping Dom Perignon at 1350 mph is already a deliciously distant memory. Four and a half hours London/Toronto means we arrived before we left. It certainly felt like it.

We're staying at the lodge until tomorrow. It's perfect. Open fires and wonderful food. (The chef is from Fentons, one of Toronto's hottest restaurants.)

After a morning's fishing and three sets of leisurely tennis, I feel relaxed and ready for action, although shooting rapids in a rubber raft does seem a little daunting all of a sudden. Still, a promise is a promise.

Saturday night, we're dining out at the ballgame. The Blue Jays v The Red Sox at the Skydome. It's a sell out but a box has been reserved for us. With temperatures in the 80's all week, they should roll the roof back.

Anyway, as the sun sinks into the lake, there's one last choice to be made before bed. The Napoleon five-star or the 12 year old malt? Decisions, decisions...

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TRAVEL

Sardinia — the tourist island

THE EFFORT required is considerable, involving crab-like shuffles along dark, claustrophobic corridors and suddenly steep descents down rocky staircases. Once the ground floor has been attained and torchlight has picked out the tapering, towering structure 70 or 80 feet above, one can only wonder at why the Sardi of 1,500 BC went to all this trouble.

During the second millennium before Christ they were apparently gripped by a stone-laying frenzy which has bequeathed to modern Sardinia a dense of no fewer than 7,000 such nuraghi: an archaeological challenge which, at the present rate, may need another four millennia to accomplish since only about three dozen of these

pointed, although the mountainous east side of the island is awe-inspiring. The brutal mass of rock, however, accommodates exquisite small bays, with promontories hollowed into dark caverns.

The sea's colour and clarity matches the best that the Caribbean can offer for the boating band, and environmentally reassuring for the swimmer. While the tourists now flock to it, the Sardi themselves have eschewed the ocean over the centuries, never having really developed a maritime or fishing tradition because of the regular invasions which pushed them inland and into the mountains.

During their 400-year occupation of the island, the Spanish developed a saying about the Sardi which, loosely translated, went: "So few, so mad, so divided." Happily, their sanity is beyond question, but at 1.8m they remain in short supply and their insular individualism tends to guarantee contrasting views wherever two or more are joined together in heavy bar room discussion.

There are, for example, at least two schools of thought about the original function of the nuraghi. One sees them as religious attempts to placate the gods while the other leans more towards the exigencies of military defence. The largest, such as at Barumini near Cagliari, could certainly house several hundred people and would be ideal this year for cooling off the hooligan element among the thousands of soccer fans from England, Holland, the Irish Republic and Egypt who will constitute the latest invasion to be tolerated by the long-suffering Sardi.

These four teams will play their first round games in the World Cup in early June in Cagliari, Sardinia's commercial capital, which suffered extensive wartime destruction and architectural carelessness post-war reconstruction. Now it looks non-descript. Although the local police force is planning various anti-injury defences against the worst World Cup elements, the Cagliarians are unlikely to abandon their accommodating approach to the foreign invader.

They are stigmatised for it by their fellow islanders who, over the centuries, have frequently curled their lips at the city's readiness to embrace without resistance the Phoenicians, Romans, Genoese and Spaniards, to mention a few.

An "Investment Wanted" sign hangs over the island which with its visual splendours, classy tourist hotels and holiday villas offers a desirable hedonistic contrast to a culture rooted in very un-Italian bathos.



Raiatal Beach on the Costa Smeralda

At the start of a new decade, what the island lacks is "water, energy and transport infrastructure," says Eugenio Aymerich, the articulate, no-nonsense president of Cagliari's Industrialists. And this after 35 years of Rome's policy of "extraordinary interventions" which has pumped around \$100m into the Mezzogiorno, the Italian south.

But Sardinia is very different from the Mezzogiorno. Sardinia may lack, as Aymerich acknowledges, the capacity "to choose, to spend and to take risks," but they are not afflicted by organised crime and the business class is "morally healthy."

Sadly, the island lacks political influence despite an exalted presence among the Italian political class. Sardi, indisputably its intellectual capital, has supplied two Italian presidents — Francesco Cossiga, the present holder of the office, and Antonio Segni — as well as the Communist Party's most illustrious leader, Enrico Berlinguer, and, arguably, Italy's

most influential political thinker of this century, Antonio Gramsci. At least three of these four should have been worth a few points more on the island's gross domestic product.

It is clear that too many financial resources pushed out westwards from Rome are frittered away by an extraordinarily inefficient bureaucracy and a local political leadership whose priority is purchasing votes.

One risk which any would-be investor needs to factor into his calculations is the possibility, happily reduced these days, of being kidnapped.

While Calabria's villains seem to have taken over the dominant role in this highly profitable economic sector, there are at least a handful of old, and young, Sardinian hands still active in the province of Nuoro, which sits on a shoulder of rugged, maquis-covered hills dominated by Monte Ortobene.

Antonio Zurru, the young bearded communist mayor of Nuoro, likes to stress that "this area is very tranquil

compared to others" but adds, with that disarming openness common to the Sardi a story about two investors from Pesaro who run their businesses at a distance to avoid any risk of serving a lengthy term in some mountainous cave.

Until recently, Nuorese bandits were heroes to many Sardi who had been raised to regard them as honourable descendants of those resistance fighters against the Romans who, in choosing the name Barbagia for the region, made clear their view of the peasantry. Local historians blame the emergence of modern banditry and kidnapping first on the House of Savoy, and then on the Fascist state, which code roughshod over local traditions.

About a century after taking charge in 1720, the Piedmontese decided to use modern consultants, in the shape of the Jesuits, to advise on how the island could be made more profitable to their kingdom. The result was disastrous for the nomadic shepherds of the Nuorese who were confronted with a new system of enclosed property allocated to absentee landlords.

Those that attempted to assert historic grazing rights were ruthlessly repressed and then joined to join others who would frequently be animal thieves seeking to evade the Sardi's private and somewhat murderous code for such miscreants. Refugees from the law seemed to turn naturally to kidnapping as a supplement to their incomes, careless of the blight they were putting on the island's already shaky reputation, shaped as it was by a massive malaria problem and the locals' propensity to rough justice.

Although Sardinia's kidnappers always seem to have one or two victims languishing in their hideaways at any one time, many Sardi now say that the local culture is turning against them. They talk of a celebrated case in Orgosolo about three years ago when the villagers turned the carabinieri on the kidnappers of a local woman and then joined in a battle to gun them down.

Mario Segni, the island's leading member of parliament and son of the former president, says with more than a touch of melancholy that the island's bureaucratic structure is the key priority for reform but that there is no reason to expect that anything will happen to change it by 1992.

He and his fellow islanders recognise now that they have to find most of their own solutions to guarantee a future not solely dependent on tourism.

The regions of northern Italy have already done so and enjoy a per capita income in line with south Germany's. In the south of Italy, the Abruzzo and Apulia are beginning to prove that the Mezzogiorno does not have to be synonymous with economic stagnation. If they are no longer content with their 3.5m sheep and tourist paradise, the Sardi may have to become more Italian before they can become Europeans.

TRAVEL BUSINESS

Undersea tours

SUBMARINES — or "passenger submarines" as the experts like to call them — have moved on a bit since 1963 when a craft converted from oil field survey work started regular dives off Grand Cayman. With room for just two paying passengers at \$270 per head, the project proved successful enough but was hardly the stuff of mass leisure market dreams.

Six years later, naval officer turned consultant Derek Riddell believes that the business has progressed from the pioneering stage and become a serious tourist industry niche that is poised for substantial growth over the next few years.

According to a study produced recently by his Brussels-based company, Riddell, Morgan, 21 leisure submarines will be operating worldwide from the second quarter of this year in exotic locations from Guam and Curacao to Bermuda and St Thomas.

An additional 13 vessels are being built in shipyards round the world. Revenues from passenger submarines are estimated to have reached \$36m in 1989, while one forecast pitches them at around \$55m by the mid-1990s.

According to Riddell, there are vast areas of the world still untapped for the development of submarine tours. "The typical tourist island will have more interesting and exciting wild life under the water than above," he says. Places of great natural underwater beauty are already known to a few underwater adventurers as the ultimate experience. Now it is possible to take thousands of visitors there without the danger of spoiling the attraction by pollution or vandalism.

Riddell claims to be the only truly independent consultant in the leisure submarine business, and says that "the days of the individual buying a sub and trying to recreate the world of Jacques Cousteau are fading away. We are seeing growing interest from airlines and hotel companies, while the concept is changing to that of an underwater bus, possibly on rails."

Operators, he says, often rely on cruise ships to bring them their business, and some

cruise companies have been active in promoting and selling tickets on behalf of the submarine operators. A number of cruise companies have also investigated ways of installing submarines on board their ships, but the design complexity of a launch and recovery system has persuaded most that a shore-based location is best. In some cases submarines are being built to complement underwater observatories, notably at Eilat in the Red Sea.

The submarines themselves vary from what is rapidly becoming the standard configuration of around 48 passengers — the same as a tour bus and capable of diving



to around 100 metres — to the 16-passenger craft such as that owned by Deep Line of Zurich for diving in five Swiss lakes throughout the year.

Riddell has recently set up a sister business, named the Blue Water Company, aimed at building on Riddell, Morgan's knowledge of the submarine industry. Responsible for helping set up 16 passenger companies in Pacific, Caribbean and European waters — and currently adviser on 15 possible new operations for whom the submarine costs alone are in excess of \$50m — he has introduced a two-part package for investors to provide leasing for the hardware and a franchising framework for the operator.

Riddell, Morgan is at Rue Henry Zuylen 84, Brussels 1180, tel: (32) 274-1211.

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MOTORING & GARDENING

LAST SEASON, FT writer John Griffiths returned to motor racing. One reason was to take a closer look at the scene where many European businessmen, mainly in their late 30s and 40s, now race classic and historic sports cars. In this concluding article of a series, Griffiths discusses the costs of taking part in the MG Car Club's BGVs championship along with the rewards and risks for drivers, sponsors — and wives.

OKAY, I give in — there is no way I can buy-up every copy of today's *Financial Times*. And so, in revealing what a season's motor racing has really cost, I await with dread the descending tread on the star, the ominous rustle of pink paper, the lowering brow and, finally, the squeak of the garage door as my wife rolls out not my beloved racer — but the tumblebug.

Even said quickly, £22,853 hints that my chosen sport for the past year has not been squash or swimming. And yet, everything is relative. Some people spend four times that amount on one road car, and to run a competitive Sierra Cosworth in the national saloon car championship costs at least £250,000.

In fact, that £22,853 is not as grim as it sounds. For while it has indeed been spent while taking part in nine UK races, the European Historic Grand Prix at Zolder, and the Trophee des Ardennes at Spa, I have the tangible assets of a new racing car, worth perhaps £12,000, plus trailer, racing tyres and other bits worth £1,000. Thus, the irrecoverable cost of a memorable year is around £10,000.

The picture looks less daunting yet, m'lud, when you consider that £7,500 is accounted for by what most of the 32 drivers taking part in "my" championship would have spent on the initial purchase of a well-used racer and the cost of making it fit for competition. Mind you, I had the bad luck to be the only BGVs driver to have a car destroyed, in mid-season. This means that instead of operating costs being only £2,500, the true figure is around £3,500. The difference represents the £1,000 worth of parts salvaged from the wreck and added-on to its replacement.

So what did the £3,500 buy? It covered the necessary competition licences, fees for the MG Car Club and BGVs championship memberships plus advertising permit for the car (totalling around £200); entry fees for 11 races (£550); petrol



Griffiths and his MGB: an exhilarating sport

Time to face the reckoning

Or: drive first and worry later

RACE BUDGET 1990

Entry fees	800
Licences, memberships, permits	200
Petrol	350
Ferris	300
Subsistence	250
Accommodation, Continent	200
Pre-season preparation	1,500
Wet/dry race tyres	1,000
Between-race preparation	1,500
Total	6,400
Contingency fund	5,000

and ferries (£1,200); accommodation at Continental meetings (£200); and UK accommodation and subsistence (£200). The balance consisted of between-race service and maintenance.

There can be no such thing as a "normal" season — by its very nature, motor racing is going to involve at least some body damage and mechanical repair. But I think it is possible to establish a realistic budget for any interested, and perhaps typical, FT reader: one who is unlikely to have either the

time or skills to maintain a car in race-worthy condition but is, nevertheless, anxious to do a full season of 15 or 16 events.

This budget appears in the accompanying table and is for a Class C, "full-race" MGB roadster, lap times of which are similar to Porsche and Ferrari "one-make" championship cars. My guess is that about £1,500 of the "contingency" fund would be used — a season's total of around £8,000.

Sponsorship eases the pain, though, and is increasingly prevalent. Certainly, without the FT itself paying part of the cost of rebuilding "my" car — which is to run in the *Weekend FT's* colours throughout 1990 — this series could not have

been finished. And championship series themselves are almost all sponsored — in the case of the BGVs, by the Guildford-based Wilky property group for the third year running.

Its initial reasons for doing so were hardly the stuff of a deeply-researched marketing prospectus: director Malcolm Young, 41, is also a competitor. It was, he says, "a chance to put something back into the sport. But it's a reflection of the increasing interest in club racing that, as a group, we ended up with much more media coverage than ever we expected."

Young's enthusiasm appears to have survived his own car crashing heavily at Snetterton in September, leaving him with broken ribs. Happily, though, none of the season's "shunts" appears to have had any serious long-term physical consequences.

Apart from Young, chartered surveyor Peter Spooner still gets the odd treatment from a finger trapped during a barrel roll at Donington Park and I have an index finger stuck at a reproachful angle as a reminder of Spa.

The year has provided a vivid reminder that if there is a more exhilarating sport, then I have no experience of it. But it also has brought other positive, and sometimes humbling, experiences — for example, the chance to put the car to work, in a small way, in fund-raising areas such as the Guildford Adventure Play Centre for 300 handicapped children.

Amid all the euphoria of racing, however, wives tend to bring drivers back to earth. Perhaps the last word should belong to my own wife, Peggy, who says: "There are two possible routes for wives in motor racing. One involves admiring support at the track-side, a menial and often rain-drenched role. The other, which Jane Spooner and I adopt, is one of minimal participation and a degree of genuine mockery."

Side note: "Given the number of weekend fixtures, I can't recommend it as contributing to family life. Beyond that, the financial facts speak almost for themselves." Almost? She hasn't seen those final five figures yet...

SINCE mid-December, a stout stem has been sprouting beside my desk, at times gaining nearly two inches in height a day, until the plump bud it bore burst open to display the first of four great white trumpet flowers. It is a hippeastrum, or amaryllis, but that prettier name really belongs to a different plant that has been specially prepared to perform this trick, which is not at all its natural state.

These bulbs are prepared by specialist growers for Christmas flowering and this one arrived quite dormant, yet ready to grow. Immediately I slipped it into a flower-pot, put a small quantity of peat around it, and began to give it a regular supply of water. I have never had to give it anything that could be regarded as serious cultivation, just warmth, light and water.

Everything else that was required was stored inside the bulb and there will be enough there to carry right through to the end of this flowering. However, the plant will then need quite different treatment to get it back on normal course again. I have enjoyed the performance, but not without a touch of disapproval for its artificiality.

It has another useful result, for it helps to remind me how many and varied are the ways in which bulbs grow. Superficially, a hippeastrum bulb looks much like a very oversized hyacinth bulb; yet they grow in totally different ways. There was no way in which my hyacinth bulbs could have been wound up to grow in a few weeks, like the hippeastrum. Their bulbs had also been prepared, but, even so, I had to pot them in a reason-

able quantity of soil and place them for many weeks outdoors, in a cool place, so that they could fill the soil with roots at a sensible pace. Had I moved too hastily the flower buds, although already formed, would have aborted, and I would have had nothing but leaves to show for my pains.

Outside my window, the snowdrops are in flower. I rate them highly among early bulbs, and I am always rather surprised that more people do not get excited about them, for they are so beautiful and can be so very permanent. However they do need a little understanding: it is not that they are difficult, rather that they need to be left alone, but in the right surroundings.

You could not play any tricks with snowdrops such as those played with hyacinths or hippeastrums. They do not even like being treated like ordinary bulbs, and can be planted only when they have died down months after flowering. In or with this one of the worst times to move snowdrops, and it is because they are almost always sold dry in the autumn, along with all the other winter- and spring-flowering bulbs, that so many fail to grow and so many people waste time and money.

The best time to plant snowdrops is now, or, at any rate, by the end of March, but they must be lifted and replanted as

quickly as possible. If they have to travel a long way they must be packed in something that will keep them moist and fresh on their journey, and they must be replanted quickly.

Treat them in this way and you will soon have thriving snowdrops colonies. This is especially so if you choose the common British species, or its lovely double-flowered variety, or the hybrid named *Aikinsii*.

The best time to plant snowdrops is now, or by the end of March

which has larger flowers and produces no seed yet spreads faster than any of those that do. But to purchase snowdrops in February or March it is necessary to go to a specialist nursery, and quite a number are listed in *The Plant Finder*.

One needs to give snowdrops a place where they can remain undisturbed for years. It should be cool and sheltered, shady in summer but not too much in winter, which means that the shade should come mainly from deciduous trees. Tree roots will also cut down seed competition and make it much easier to keep the snowdrop areas clean, without too much soil disturbance.

But to return briefly to my

Long, lean and lovely

Stuart Marshall falls head over heels for Nissan's speedy 200 SX

IT LOOKS ravishing — long and low, lean though curvaceous, aerodynamically sleek from pop-up headlamps to tail-gate spoiler. And the specification is enough to make any motorist enthusiast drool: top speed 140 mph (225 kmh) and acceleration from 0-60 mph (96 kmh) in 6.5 seconds, derived from a turbo-charged, inter-cooled, 1.8-litre, 16-valve engine which puts out 169 horsepower at 6,400 rpm and develops maximum torque (pulling power) at 4,000 rpm. Add multi-link independent rear suspension, ABS brakes with ventilated front discs, traditional rear-wheel drive... but need I go on?

The Nissan 200 SX for this is what I am writing about, not a new, small-engined Porsche or Ferrari — costs £18,845 including air-conditioning, stereo radio/cassette player, electric windows and door mirrors, power steering, central locking and alloy wheels.

I have been driving one for some weeks, in between other road test cars. Every time I have slid behind the Nissan's adjustable steering wheel and set off on a journey, I have been seduced by its vigorous performance and delicate controllability (although that

claimed top speed of 140 mph must be taken on trust. The same goes for the acceleration because, to achieve 0-60 in under seven seconds, you have to drop the clutch at 5,000 rpm and take off in a cloud of rubber smoke. Thankfully, people don't drive like that in the real world.

What impresses me about the Nissan 200 SX is far more down to earth. For example, the sculpted front seats are supportive; the near-side one slides and tilts enough to make the small back seats easier to reach than they are in many sporting 2+2s. The design of the instrument panel is classic European, with easily-read white figures on black dials. You know at a glance what the minor controls are for and how they work.

Tail-gate and tank flap open from inside while the load space takes two sets of golf clubs and trolleys without having to let down the rear seat's split back-rest. Even in mid-winter, you appreciate the interior free from mist — a problem, sometimes, in small-cabine coupes.

If you want to be first away from the lights, few can challenge the Nissan. More impor-

tant, it accelerates so rapidly and effortlessly in fifth gear at anything over 50 mph (80 kmh) that there is little need to change down. But drop into fourth, even third, and floor the pedal. There is a musical under-bonnet whine from the turbo-charger, the rev. counter needle swings round the dial — and what had been holding you up is a diminishing dot in the mirror.

The clutch is miraculously light, bearing in mind it has to cope with 169 bhp, and I cannot think of any car with a slicker, stiffer gear-shift. Driven hard, the 200 SX has the poise and security of high-performance coupes costing twice as much. On a motorway it is so quiet, but so spirited, that it pays to keep one eye on the speedometer and the other on the mirror. On wet and winding roads, it is reassuringly well-mannered. The fast Bridgestone tyres provide quick turn-in and have massive grip but take the sting out of bad surfaces. In town, the steering that feels so sharp at speed is effortless for parking.

If you drive in a way that lets the turbo-charger boost acceleration "only" when really needed, the 200 SX gives close to 30 miles to a gallon of

unleaded (9.4 l/100 kms). A heavy foot on the loud pedal, especially in the lower gears, brings this nearer to 24 mpg (11.7 l/100 kms).

You don't have to be fast and thrusting to enjoy the 200 SX. Apart from looking beautiful, it is refined and relaxing to drive, especially with the optional four-speed automatic transmission that 20 per cent of buyers choose. I could see it suiting many a newly-retired businessman, freed from the obligation to drive a large and dignified company saloon. His wife would love it, too. Mine did.

With no need for more than two seats (plus a pair for the grand-children), the 200 SX would be a rejuvenating runabout, an ideal companion on long trips in the leisure years ahead. And if some competitive 25-year-old in an XR3i tried to have a go at the lights, the Nissan would put him in his place smartly. The only mean I have is a small one: the thick centre pillar can obstruct visibility seriously at angled junctions.

The 200 SX came to Britain last March and 1,959 of them (against a target of 1,300) were sold in 1989. So far this year, it has been selling at 100 a week and total 1990 registrations of about 3,500 are forecast. Prices start at £17,085 for the entry model 200 SX. With ABS brakes, it goes up to £17,845, and air-conditioning adds another £1,000.

The 200 SX has few obvious rivals. Closest are the latest Toyota Celica GT (this column, December 9), due to go on sale in the UK in a few weeks. Others are the Audi coupe and VW Corrado. The Vauxhall Calibra coupe is a potential competitor but it won't reach Britain until early summer.

Nissan's 200 SX... it could suit the retired businessman who no longer has the obligation to drive a large and dignified company saloon



The beauty of bulbs

A feast for the iris

THERE are buds once again on my roses; camellias are opening quite freely; primroses are a commonplace, and I promise you that my young box hedging has grown several inches since November.

These winters are mad, marvellous, and extremely good to know. The greenery is glowing, but as yet I can see no other drawback. Did any of those plants suffer which burst into flower six months too soon last year and became such a topic of conversation? My violas are happily at it again, and, as for the flowering pear trees, they are back in flower for the second January in succession.

It is also an extremely good year for traditional winter flowers. They are quite unbothered by their unlikely companions, clematis among the winter sweet, or a crazy cistus in flower beside the winter jasmine. Many of them like a hot summer, which ripens them: 1989 is a year in 50 for anything which sets buds early. Winter honeysuckle is wonderful: there are gusts of scent off the sarco-coccos, but the real heroes are the winter irises.

Perhaps this vintage winter will remind more gardeners to grow them. They are almost impossible to kill. They grow best in poorly-drained places and will flourish in a narrow little flower-bed between the foot of a wall, and a path or paving. My best clump grew among the roots of a huge climbing rose, where they were wedged between one end of the house and the other, paved walk. The soil was very dry, and thin, but the winter iris ungularis sent up dozens of flowers every year. It loves life in a town: it needs no maintenance and lasts for years.

One of its great admirers, the late Brigadier Lucas Phillips, describes this iris in his best-selling handbook, *The Small Garden*, as "warming the cold bosom of the hoary year." In my mind's eye, I still see the Brigadier towering over them, counting buds on his winter iris and telling himself that the season had turned hoary, but that there were "things," none the less, which made a man's blood run warm: "He was writing back in the 1950s, when I started to grow them. These irises are even better in non-hoary weather, although they survive very sharp frosts."

It is no use planting these Algerian wildflowers in shade. They must have sun, as much sun as possible, and prefer to have very little soil. If the ground is too rich, take it out and fill it with old bricks or bits of rock: winter irises love rubble. A sunny front garden, recovering from bulldozers, would grow marvellous winter irises. They ought to be the emblem of every house-builder who leaves his clients with a

garden but without proper top-soil.

The usual variety will flower in a lovely shade of pale lavender-blue, flushed with a white centre and gold markings. It takes a year or two to settle after planting, but it then makes an untidy clump of leaves, some of which die away and compound the plant's messiness. I suggest that you thin the leaves drastically in early summer, so that the centre of the plant is exposed and its rhizome can feel more of the sun: clipping and pulling does them no harm. If you are patient for the first few hoary seasons, the plants will then flower regularly. Remember, that you can pull the flower buds away from the plant on their long "stems" (pulling is preferable to cutting) and that they will open magically in water indoors. The buds are



like tightly wrapped pencils of pale lavender. They open out like those oriental toy flowers which expand in water.

If you pay more, you can buy varieties with deep and rare colours. The best is a deep violet-purple form, *Mary Barnard*, which is extra-special desirable. There is a pale one called *Walter Butt*, and an altogether bigger plant with glossy leaves, known as *Laziza*. There is even a white form and a newish shade of pink-lilac. The white is not as exciting as it sounds, but the pink one may have a future: it came in from New Zealand and seeds of it have been sent around professional growers. Meanwhile, the rarer sorts of winter iris are sold by Roger Poulett's small nursery at Nursey's Cottage, North Mundham, Chichester, Sussex (catalogue in return for two first-class stamps).

Gardeners who consider these plants to be untidy do not know that they can cut them back and improve them. They are extremely easy to grow and will survive for years, even beside a dustbin. If you are planting a new climber on a side-facing wall and are making a hole in the paving to receive it, I suggest that you widen the hole and put some young winter iris beside it. They thrive on neglect: if only climbers would do the same.

Robin Lane Fox

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Chess

was the fifth, where Short levelled the scores.

He normally meets 1 e4 by 1... e5, but with the French Defence 1... e6, so his choice of the Sicilian was a surprise. His remarkable manoeuvre at moves 8-9 exchanged off Timman's active bishop but left Short's king uncased in the centre.

Short solved his problems by a speculative push of his h pawn. It succeeded brilliantly when Timman exchanged queens, went too ambitiously for attack, and found himself out-flanked by the infiltration of Short's rooks which set up a mating net.

Black's original strategy evokes an uneasy feeling if you play through the moves and remember classical principles that kings should not daily overhang in the centre of the board.

Short's victory was really psychological. Speelman showed in the seventh game of his Pilkington Glass world semi-final against Timman that the Dutchman's lucid, methodical approach can be upset by a complex, provocative opening and, as on that occasion, Timman loses when confronted by a novel, combative style.

White: J. Timman.
Black: N. Short.
Sicilian Defence (5th match game)
1 e4 c5 2 Nf3 Nc6 3 d4 cxd4 4 Nxd4 e5 5 Nb5 d5 6 0-0 Be7 7 Nf3 a5 8 Na3 Bc8 9 Be2 Bg5?

A radical choice. If 9... Nf5 10 Bg5 with Bxf6 and Ne2-c3-d5 gives White a space advantage, but 9... h5 and only then Bg5 is the normal route to dark square control.

10 Bxg5 Qxg5 11 0-0 Rb8 12 Nd5 b5 13 Ne2 b4 14 Qd3 Rxd5 15 exd5.

Timman shapes to advance his 4-3 Q-side pawn majority, but the idea proves too slow. More promising seems 15 cxd5 Nce7 16 Ne3 with Rac1-c7 and an invasion of Black's denuded Q-side.

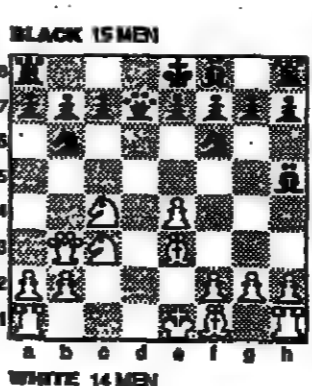
15... Nce7 16 Qe3 Qe8 17 Nxe8 Nf5.

Now Black plans f5 and a general K-side pawn advance. Timman prefers a piece battle, but the advance of Black's h pawn supported by the rook enables Black to strike first.

18 f4 exf4 19 Rxf4 Ng5 20 Re4+ Kd7 21 Bg4+ Nxf4 22 Rxf4 Rde8 23 Nf5 Re2 24 b4 b3 25 c5 Ne5 26 Rxf7 dxf7 27 bxc5 hxf2 28 Rxf2 Nf3+ 29 Kf1 Re5 30 Nf5 Rxd5 31 Nxf7 Nxf2+ 32 Kg1 Nf3+ 33 Kf2

Rb3! 34 Re7 Ng5 35 Re1 Rd2+ 36 Kf1 Re2 37 Kf2 Rd1+ 38 Kf2 Rd1+ 39 Rxf7+ Kc6 40 Nd8+ Kxc5 wins on material. Timman allows the quicker end of mate by Short's rooks.
36 Kf1 Re2 37 Re3g3.

PROBLEM No. 507



WHITE 14 MEN

BLACK 15 MEN

White (to move) has sacrificed a pawn and Black now threatens to consolidate either by e6 and Be7 or by 0-0-0. What should Bogolyubov play?

Solution Page XIX

Leonard Barden

BOOKS

A voracious appetite for life

Anthony Curtis on the diarist who never tired of London

BOSWELL: The Great Biographer 1789-1795 by Marjorie K. Danziger and Frank Brady. Heinemann £25, 371 pages.

In that first volume of the so-called "trade edition," containing an account by Pottle of the discovery of caches of unpublished Boswell papers in Malahide Castle and their purchase by Yale, until 1948 they had acquired the entire archive, we met a new, brash, confident Boswell, quite different from the self-indulgent diarist of Johnson's Boswell as a very young man.

At 22 he had arrived in London in 1782, glad to put a distance between himself and the family seat in Ayrshire, and the proximity of his father, the formidable Laird of Auchinleck. The Laird wished his son and heir to pursue his education at the University of Glasgow, but Boswell had other ideas. He had a voracious appetite for life which included, among other things, the opposite sex, the festive company of original minds, classical literature, the contemporary theatre. This appetite required for his satisfaction permanent residence in London. Boswell spent wholeheartedly with his great hero Johnson (whom he had not yet met) that he who is tired of London is tired of life. His plan was to obtain a commission in the Guards, in the first instance, and then later on to become a Member of Parliament.

When this final volume opens Boswell has turned 50 yet he still has the same restlessness, the same sense of unfulfilled ambition, the same need-

to cultivate and wait upon those in power for his luck to turn and a public appointment to come his way. In one sense his luck never did turn. Boswell never became an officer in the Guards, an MP, or achieved an great public office in England. Instead he succeeded on the death of his father to the Scottish title and, in spite of innumerable affairs, he accepted domesticity in marriage to an excellent woman who bore him five children, two sons and three daughters.

When this concluding volume seems to echo the first is that, when it opens in November 1789, Boswell was recently widowed, and his life in the wake of his bereavement appears to be beginning all over again. Margaret's death, and that of his first son, in 1784, served to loosen Boswell's two great moral anchors. "Floated upon life with really pleasing sensations," he writes after a Sunday walk in St. James's Park. More over the great biography on which he had been at work for so long was now almost ready for publication, having reached the revision stage.

When the biography was eventually published in May 1792, 28 years after Boswell had first met Johnson, the reaction from friends, the reviews, and the sales to the public were everything for which he could have hoped. Boswell must have congratulated himself on not selling outright to the bookseller Duty while under great financial pressure to do so. For a while Boswell basked in the sunshine of success. There is a hiatus in the journal at this period but the editors fill us in, as they do throughout whenever there is a gap, with quotations from letters from family and friends. People like Dr. Burney or Boswell's old college chum, the Rev. W.J. Temple. Burney told him enthusiastically that he should now write the lives of the other deceased members of the Club, the exclusive dining society founded by Johnson and still flourishing.

But Boswell's sense of success soon evaporated and many pages of these journals are occupied by self-doubt, melancholia, fruitless striving after office, not to mention physical discomforts, the symptoms of venereal disease, guilt at excessive drinking, fantasies about various wealthy and well-born women whom he casts in the role of the second Mrs Boswell until sanity breaks in.

In spite of all this the book remains



an exhilarating read. Boswell continually bounces back. He almost never had to dine alone and gives accounts of hundreds of gargantuan menus and wine lists at convivial dinners he attended. He keeps a horrified watchful eye on the progress of the Revolution across the Channel, and on the plans of his friend General Paoli for an independent Corsica. He tours Cornwall with two of his daughters to visit Temple. He mourns the death of Reynolds. He takes up the case of the ex-convict Mary Board and the Botany Bay four, and of other unfortunate, even guaranteeing Mary an annuity out of his own pocket. Boswell even occasionally and reluctantly returns to Auchinleck and puts things straight there.

The picture of Boswell recreated

recently in London by Leo McKern in the one-man-show *Boswell For The Defence*, which covers this period, is historically quite accurate save that it excludes what this book also shows: Boswell's strong sense of parental responsibility, sending one son to Eton and the other to Westminster, and being concerned to educate his daughter in English ways. There are some touching letters from Jamie junior, trying to convince his dying father that his life has not been a failure. The editing of the volume, with its copious footnotes enlightening the reader about the careers of Boswell's many acquaintances as they crop up in the text and its model index, continues the tradition founded by Professor Pottle, and one cannot say more than that

Affectionate exorcism of the devil in Dad

Jurek Martin reviews Bernstein on Bernstein

BACK IN the 1940s in San Francisco, Alfred Bernstein, then a lawyer and union organizer, later a laundry operator in Washington DC, played "hot and heavy" poker, almost every night. Richard Nixon, whose wartime card playing was to be advertised as a mark of virility and early source of profit, was asked to sit in. He declined, a member of the school recalls: "He was too stiff."

It would have been the supreme irony - and a rich harvest for psychological conspiracy theorists - if the man who became president of the US had been fleeced, or the reverse, at poker by the father of the journalist who, along with a colleague at the *Washington Post*, was responsible for his disgrace and downfall. Yet albeit infinitely more indirectly, Nixon is a travelling companion of Carl Bernstein's voyage of discovery into his father. For Alfred Bernstein was for the best part of 20 years deeply engaged in activities which, before, during and after the heyday of Senator Joe McCarthy, were widely seen as subversive; and Nixon, after all, made his first mark as a strident anti-communist politician and investigator.

Whittaker Chambers, not Alfred Bernstein, was his first

and most famous scalp. In fact Bernstein Sr, though under surveillance by the FBI for three decades and though representing many accused of "disloyalty," was never directly accused of anything. But his widely presumed association with the Communist Party, of which he was indeed briefly but never actively a member, was the monkey on the back of son

LOYALTIES: A SON'S MEMOIR by Carl Bernstein. Macmillan £14.95, 254 pages.

Carl as he grew up in Washington.

This book is, in effect, an affectionate exorcism of that demon. It weaves the son's adolescence and the father's reconstructed history. It is at its best when it lets the records - 1,500 pages of FBI files on Alfred Bernstein and Sylvia, his wife - speak for themselves, as demonstrations of the illogicalities and perversions of prejudice.

It is even better on the light that it throws on some of the lesser known details of the period: not men like Chambers or Harry Dexter White but

humble civil servants, such as Emily Geller, who fell foul of Truman's 1947 Loyalty Order which was to remain on the statute books for 27 years.

But this is not a book for aficionados of the period. For them more satisfaction can be obtained from David Cate's *The Great Fear* and more controlled passion from virtually anything written by the late I.F. Stone. It is, in essence, a family snapshot album, developed by a well-known journalist. As such, it defies conventional criticism, which might seem an intrusion. What else can you say about a book which ends as follows?

"I have come to understand my father's frustration and fear about this book: that, having rebuilt his life, he sees this archaeological excavation threatening to dig up not only the shattered bones of a wrecked past but a few loose artifacts that mercifully got buried in the heap the last time around."

"Still, I have tried to learn what happened in our family, and to set it down. In so doing I may or may not have committed an act of disloyalty. My father and mother never did."

Fiction

Mysteries of being

WILLIAM TREVOR is a deceptively safe writer: strong stories about weak people are staple middle-brow fodder and this new collection reinforces his reputation as an irresistible storyteller, sensitive and ruthless delineator of small milieus. Most of these tales are firmly located in an Ireland which remains more or less time-locked. Whether the stories are set in farmhouses where the unyielding routine of poverty closes over tragedy, or in the unadventurous tennis club world where comfortable

small-town gossip substitutes for unacknowledged and dangerous passion, Trevor is completely in command of his material. It is this utter certainty of touch which makes his stories stand apart from the rest of the genre.

But it is the errant, elusive, unmanageable quality of life which distinguishes short stories from other modes of fiction. The point at which some inescapable, intolerable fact or feeling has to be acknowledged or hidden is what gives the explore charge to a form which is otherwise restricted and contained: "moments," as John Bayley has remarked "which are essential to moral meaning and the moral well-being of the individual..." moments which demonstrate "the mystery of being which lies outside art."

In this collection William Trevor may not reach the mysterious epiphanies of Chekhov, Joyce or even Elizabeth Bowen, but like the last two, his Irish sense of the otherness ever present behind banal existence adds force and depth to stories which stand apparently rooted in the everyday. Here it is other people who are the mystery: a decent farmer's daughter is shot, with her lover and his mother, in an ordinary farmyard; the crime is explained by the local community as the jealous mother's revenge, until an intrusive newspaper investigative team arrives and (perhaps) distorts the verdict and disrupt self-protective certainties: "What kind of people are they?" asks the girl's father at the end, and it is that question which colours all these stories.

These almost imperceptible short stories, after a moment of emotional revelation the ripples continue and art continues to hint at that deeper mystery. What kind of people are they?

FAMILY SINS AND OTHER STORIES by William Trevor. Bodley Head £11.95, 251 pages.

with narrative points of view is a trick which can sometimes badly misfire and lead to condensation or bathos. William Trevor skirts these dangers and often pulls off the difficult feat of implying a simple character's apprehension of human mystery. It is only when mystery is overtly referred to that his touch falters: in *The Printmaker* a woman is haunted by an unacknowledged love, the almost unacknowledged sensation of one summer's afternoon which has locked her in for life; she muses on the mystery of love and, just for once, in this story sentimentalism is barely avoided.

The holiness of the heart's affections is better expressed in the more oblique tales. The sense of something left dangling in time, of unfinished business, of "something far more deeply interesting," is what distinguishes the best of these almost imperceptible short stories. After a moment of emotional revelation the ripples continue and art continues to hint at that deeper mystery. What kind of people are they?

Mary Hope

Hero against Hitler

THIS FIRST fully documented biography of an authentic hero of the internal German struggle against Hitler raises once more two questions which have haunted every study of the Third Reich: did there ever come into being an opposition to the Nazi regime worthy of the name and, if there was, should the British government have done more to encourage and support it? The answer to both questions must be a qualified affirmative.

The response has to be qualified for several reasons. There was not one opposition group to Hitler, there were many. They ranged from high-ranking military conspirators led by Colonel Gerd Beck to the so-called "Kreisau Circle" in Silesia, and from student resistance cells in the universities to small groups such as the "Solf Circle" and the "Onkel Emil" group.

Adam von Trotz had links with many of these groups. He came from an old family of Hessian nobility and felt himself deeply rooted in his homeland. As his biographer puts it: "Trotz's problem was that he was a German patriot. His background and education had instilled in him a deep love of the German ideal and a determination to serve the state in whatever capacity." This did not prevent him, as a Rhodes scholar at Oxford in the early 1930s, acquiring a deep affection for England, an

affection that shines through his correspondence with close English women friends, especially Sheila Grant Duff and Diana Hubback, which is liberally cited here.

As a good German, he wanted redress for the injustices done to Germany under the Versailles Treaty, and was shocked at being dismissed by some of his English friends when he sought to justify Germany's position. But if they

A GOOD GERMAN: ADAM VON TROTZ ZU SOLZ by Giles MacDonogh. Quercus Books £17.95, 338 pages.

thought this was tantamount to adopting a pro-Nazi stand, they were, of course, gravely mistaken. Trotz spoke out too frequently against the increasing brutality of Nazism, notably during a visit to the US after the outbreak of war in 1939, yet he was regarded there also with suspicion.

Trotz could have emigrated, as a number of his colleagues had done, but this would have been entirely foreign to his nature. Instead he decided to stay in Germany and to fight the regime from the inside. It was to this end that he joined the German Foreign Office and eventually the Party itself. He aided this protective camouflage to cover his frequent jour-

neys abroad, to occupied Belgium and Holland and to neutral Switzerland and Sweden, where he met various emissaries from Britain and tried to rally Allied support for the anti-Nazi resistance. Unfortunately, once Churchill's formula of "conditional surrender" had been adopted, and especially after the Nazi assault on the Soviet Union, his appeals fell on increasingly deaf ears.

Trotz, as Giles MacDonogh puts it in a striking phrase, was therefore driven deeper into a "Janus-faced chicanery." The wonder is that he survived so long. But when the moment of final reckoning drew near, with the elaboration of the July 20 plot of 1944 which so nearly got rid of Hitler, his resolution did not falter. He conferred frequently with Claus Stauffenberg and the other conspirators, up to the very end of Stauffenberg's departure for the conference at Rastenburg where he planted his bomb. Stauffenberg and three other conspirators were shot early next morning and Trotz knew that his own arrest could not be long delayed. Even then, he might have escaped, but he refused. He had to stay for the sake of his wife and two small daughters, he said, and to stand with the others. After a travesty of a trial before the People's Court, he was executed on August 25. That leaves the second ques-



Adam von Trotz after he was sentenced to death in 1944

tion: could the Western Allies have done more to help the German resistance? The main resistance groups constantly appealed for a clear statement of Allied war aims. Had that been given, it would undoubtedly have greatly encouraged the German internal opposition, and could have led to the earlier overthrow of Hitler. We shall never know. Meanwhile, despite an uncomfortable number of misprints, this is an admirable account of a brave and honourable man, and of those like him who tried to free their country from the cruel nightmare of Nazism.

Erik de Mauny

The Nazi bomb

MARK WALKER, a young historian of science, has produced an outstanding book which both fills a gap in our knowledge of the Nazi war effort and addresses the more difficult problem of the interaction between German science, technology and society during and after the National Socialist period of power. The answers provided not only challenge still-accepted assumptions about the apolitical character of scientific inquiry but raise the disturbing possibility that science and scientists can flourish under totalitarian conditions and produce work of excellent quality.

Professor Walker describes, with clear diagrams and in lucid prose, the wartime quest for ways to harness the results of nuclear fission. There is much here of a highly technical nature, yet the non-specialist can follow the German trail that led from the pre-war discoveries of nuclear fission to the spring of 1945, when the German physicists were on the point of creating a uranium machine that could achieve a chain reaction.

This is only half of Professor Walker's inquiry. He also provides penetrating portraits of the leading German nuclear

physicists and technologists and an historically-informed survey of the milieu in which they worked. The study of the Nobel Prize Laureate, Werner Heisenberg, is extraordinary. Professor Walker, using contemporary documents, examines the physicist's work and reaction to National Socialism at each stage of his career, showing how and why Heisenberg came to re-write his story after 1945, creating the myths about German scientific research that have persisted until the present day.

Walker shows how highly honourable man, while opposing limited and isolated aspects of Nazism and deploring incidents of individual injustice, came to support, serve and defend National Socialist policies. Few recognised the evil inherent in the Nazi programme until late in the war and then the most common response was an understanding, able concern with self-preservation. It was not true, as Heisenberg's 1947 memorandum suggested, that he and others recognised the dangers in Nazism from its beginning and

GERMAN NATIONAL SOCIALISM AND THE QUEST FOR NUCLEAR POWER by Mark Walker. Cambridge University Press £27.50, 304 pages.

set out to overthrow or change it from within. Nor was it true, as claimed by the German scientists interned in England when news came of Hiroshima, that German research had nothing to do with the production of such terrible weapons or, as Heisenberg was later to fabricate in an effort to restore the prestige of the German scientific community, that as decent, human beings, the nuclear scientists had refused to provide Hitler with atomic weapons.

Why did Nazi Germany fail to produce an atomic bomb? Part of the answer lay, as Walker convincingly demonstrates, in the German conviction that the war would be short and that nuclear weapons would be of little relevance to its outcome. In February,

1942, army ordinance came to the reasonable conclusion that it was ill-advisable and irresponsible to shift the nuclear power project up to the industrial scale.

This German decision was final: no-one there believed that nuclear weapons could be built and employed during the war. In that winter of 1942, weighing similar technical information and scientific results, British and American scientists came to the opposite conclusion. Each side thought the enemy would be of the same opinion. Professor Walker brilliantly summarises the peculiar sort of race for nuclear power that followed - for one, a marathon irrelevant to the war, for the other, a potentially fatal sprint. Even if the Germans had not made this erroneous decision, the Americans might have won the race. Success might have had more to do with the size and wealth of America and its physical distance from the war than with the superiority of its science and technology. This is an important book, superbly researched, convincingly argued and attacking the questions that matter.

Zara Steiner

Survivors and victims

MOMICK, THE precocious son of two survivors of the Holocaust who now live in Israel, is searching for the "Next best." His parents refuse to talk about the past but from the murmurings of his great uncle Ansel Wasserman, a writer of children's adventure tales, the stories of the other survivors who live on his street and the facts he gathers from the books on the "Holocaust and Valor" shelf of the public library, he begins to understand the history which has been denied him and which will later obsess him as a writer.

But Momick's childhood discoveries form only one part of this ambiguous, experimental novel. Ansel's murmurings are really repetitions of the story he created for the commander of a death camp in a successful attempt to "infect the Nazi with humanity." In this last adventure in his Children of the Heart series, the "sons of many nations" who fought the powers of darkness "all over the world have grown up, have become fighters, victims, survivors in the Warsaw Ghetto. The lesson of the story which the commander learns at great cost is that "One does not choose to begin killing... One must rather make the conscious choice not to kill... Not to hate."

Grossman's *See Under: Love* is an intensely moral, questioning novel, a convoluted journey with enough twists and turns to make the reader dizzy and at times as irritated as the Nazi commander who keeps asking Wasserman for a simple plot. Momick realises that there is no straight way to tell the story of the Holocaust: all of his versions are true, all of them incomplete. Apart from the overlying and overwritten second section about a Jewish writer who defies the Nazis by leaping into the sea, this is an inventive, often brilliant work.

Larry Woiwode's *Born Brothers*, the companion novel to *Bedroom Wall*, written in 1975, could also be called experimental. It traces the relationship between two brothers, their very different careers, their bonds of rivalry and love. Its drift may be chronological, but the past often merges into the present and there is no discernible plot. Woiwode moves from a floghouse in Manhattan where Charles, the youngest brother has retreated, to the family home in North Dakota where he is a child ill with pneumonia, to the birth of his son and his father's death.

There are some fine passages in this reflective novel, but the writing is uneven, at times too

SEE UNDER: LOVE by David Grossman. Cape £13.95, 458 pages.

BORN BROTHERS by Larry Woiwode. Farrar Straus Giroux £11.95, 616 pages.

ETHEL by Tema Nason. Collins £11.95, 318 pages.

pedestrian to sustain our interest in the very ordinary events of Charles's childhood and the predictable details of the druggy 1960s, the floghouse with its addicts and lonely old men. Somehow we never enter into this earnest, humourless monologue; it is as if Charles, the perpetual actor, were speaking with his back to the audience.

Ethel and Julius Rosenberg were executed in 1953 for allegedly passing atomic secrets to the Russians. They insisted on their innocence, but the jury believed the evidence of their co-conspirators, Ethel's brother and sister-in-law, and President Eisenhower refused to grant them clemency. Their case has come to epitomise the hysteria of the early 1950s, of the cold war and the McCarthy witch hunts.

In *Ethel*, Tema Nason's fictional portrait of Ethel Rosenberg, the narrative moves back and forth in time between Ethel's thoughts while she is in prison waiting to be sent to the electric chair and her memories of her adolescence on New York's lower East Side, her early ambition to become an actress, her involvement in the unions, her meeting with Julius. Ethel emerges a courageous, idealistic woman who has had to struggle against poverty, a harsh, ungiving mother, and eventually against the political reaction of the 1950s to become her own person.

Nason captures some of the spirit of the times, and she creates a sympathetic, credible character in Ethel. But we are left wondering how much of the novel is elaboration, how much fact. The book has neither the autonomy or the originality of a fiction, nor the compelling truths of a good biography. The *New York Times* clipping reproduced at the end of the book which describes Ethel's walk to the electric chair is more shocking and poignant than the whole of Nason's reconstruction of events.

Wendy Brandmark

JANUARY NON-FICTION

CLAP HANDS FOR THE SINGING MOLE CATCHER by Roderick Grant. Both illustrations and writing in its splendid account of the writer's boyhood on a remote country estate in the 1940s. "Absolutely fascinating" BBC Illustrated - line drawings by photographs.

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ARTS

Prince Igor put in the picture

Roland John Wiley on Borodin's opera, which opens at Covent Garden next week

ON THURSDAY, Alexander Borodin's *Prince Igor* will be performed by the Royal Opera for the first time since the war. Like *Eugene Onegin*, *Boris Godunov* and *The Golden Cockerel*, *Igor* lies at the heart of the canon of classical Russian operas, distinguished by their music and dramatic method from other works of the standard repertoire. Their appeal is ultimately universal, though expressed in intensely national accents which, like any dialect, may strike us as unconventional and leave a first impression of strangeness.

Classical Russian operas are loosely connected dramas based on the nation's history and literature. The principal characters are operatically impassioned, but their motives may be more complex and secretive than set forth in what they sing. Plot motivations seldom arise out of direct personal encounter, and must be divined by the audience as it is led through a series of dramatically static tableaux which span vast times and distances. Tension and point-to-point coherence are often missing in the story, which may also be left unresolved.

All this is true of Borodin's opera. *Prince Igor* leaves the town of Putivl to fight the Polovtsians. While away, his brother-in-law, the dissolute Vladimir Galitsky, threatens the sovereign authority vested in Yaroslava, Igor's wife, who learns that Igor has lost his army and has been captured with his son.

In the Polovtsian camp, Igor's son Vladimir and the khan's daughter, Konchakovna, have fallen in love. Igor longs for freedom; Ovlur, a Christian Polovtsian, offers to help him escape, while Khan Konchak, Igor's captor, tries to make peace. The Polovtsians, after attacking Putivl, return to camp, bringing spoils and prisoners, a sight which bolsters Igor's resolve to flee. Konchakovna begs to go along and when refused sounds the alarm. Igor escapes, but young Vladimir hesitates and is recaptured. Lamenting at the city wall, Yaroslava sees Igor approach. He is welcomed with rejoicing by the people of Putivl.

By western operatic standards, the story of *Prince Igor* is unoperatic. As Gerald Abraham once wrote, it has "the appalling disadvantage of being conspicuously deficient in events of a murderous, or otherwise violent, nature." There are two love interests, one conjugal (Igor and Yaroslava), one adolescent, but neither motivates

the action. Great battles are fought, though not on stage, and the enmities which prompt them are never explained. And rare is the enmity which produces a foe like Konchak, who offers Igor his falcons, his women, his favourite sword and even freedom itself. Oddest of all, the curtain falls amidst loose dramatic ends: we do not know who won, what happens next, or if anyone lives happily ever after.

Soon after beginning *Prince Igor*, Borodin abandoned it for several years, concerned that it would not appeal to an audience as theatre. He could not have known at the time (1870), when *Boris* had still not reached its final form, *Onegin* was nearly a decade away and Rimsky-Korsakov had yet to complete his first opera, that what he thought were infidelities in his drama would one day be considered the virtues that identified Russian opera. For *Prince Igor* helped define a new theatricality, based on a simple formula: stress the dramatic moment over context and plot tension, make the moments evocative or spectacular, and give the entire work a strong ethnic colouration. This combination produced a new balance of music, staging, and plot in which brilliant or exotic stage pictures compensate for lapses in dramatic continuity. The drama becomes successive and composite rather than progressive and logically coherent.

At extremes, the pervasive ethnic element speaks only to the culturally initiated, who can appreciate Borodin's studied references to archaic folk customs and turns of phrase. Most of the insider's knowledge, however, is easily assimilated and, once understood, liberates the piece from strangeness by filling gaps in the story.

The composer assumed that his audience would be aware of historical background to which he made no allusion. Twelfth-century Rus, for example, was a patchwork of unstable Ruso-Polovtsian alliances, including one of Konchak with Igor's father, which helps explain the khan's warm feelings for his captive. These alliances produced much intermarriage. It is therefore not unusual that Ovlur could be a Polovtsian by birth, Christian by faith, and bear allegiance to Rus. According to ancient sources, Igor's campaign was motivated by personal glory, not military necessity, and his fall was taken to be a fall of pride.

In sound as well as text, *Prince Igor*



Anna Tomowa-Sintow (Yaroslava) and Sergei Leiferkus (Prince Igor) in rehearsal at the Royal Opera House

is an essay in ethnic portraiture. From imposing crowd scenes - the comings and goings of armies, Galitsky's debauchery, the celebrated Polovtsian dances - to moments of richly evocative calm - the song of the Polovtsian maiden, Yaroslava's lamenting arioso - the score divides into Russian and Polovtsian components. Borodin appears to have been as zealous in the pursuit of appropriate musical styles as he

is an essay in ethnic portraiture. From imposing crowd scenes - the comings and goings of armies, Galitsky's debauchery, the celebrated Polovtsian dances - to moments of richly evocative calm - the song of the Polovtsian maiden, Yaroslava's lamenting arioso - the score divides into Russian and Polovtsian components. Borodin appears to have been as zealous in the pursuit of appropriate musical styles as he

was about mastering the historical record.

His approach to composition was nevertheless a mixed blessing. Unsure of the worthiness of his musical avocation, beset with professional duties of the most demanding kind, and caring for a sickly wife, Borodin composed each number of *Prince Igor* separately. He worked with great care and deliberation, but making progress was like achieving national unity in medieval Rus: both enterprises fell short of the mark.

There is probably no case in history of a major opera left more unfinished than *Prince Igor*; it had to be com-

pleted by its composer's artistic legacies. Nikolai Rimsky-Korsakov and Alexander Glazunov created most of a performance version of *Prince Igor* from sketches, vocal scores and what they remembered Borodin play at the piano.

When all stylistic and historical factors are counted, *Prince Igor* still deals in archetypal characters and situations. Yaroslava, like Pushkin's Tatyana, is touted as an ideal Russian type - courageous, stoic, devoted. But these qualities are hardly exclusive to Russian women, and there are echoes in Yaroslava of Olyses' besieged Penelope. Konchakovna is an Asian Juliet, perhaps stronger and more wilful than Shakespeare's, but still a passionate teenager who loves her Romeo despite imposing social and political obstacles.

The men are more of a rogue's gallery. Igor is well-meaning but limited by his ambition, which distorts his vision and makes him somewhat monochrome. Konchak is richer-hued but catlike, the crafty adversary whose honeyed words inspire doubt. Galitsky is the prototypical bully, who blusters in front of his minions and threatens the helpless. Within he is all malice and cowardice.

The events which the opera depicts could happen in our own time. A war is brought on by a ruler's personal pride and from the carnage, which is avoidable, we conclude that much is lost and nothing gained. The starkness of the message is enhanced by the opera's reputed defects as drama: the absence of compelling motivations in its characters, and of connecting

threads between its scenes, suggests bloodshed's autonomous prolongation, immune to human aspirations. In this perspective the end of the opera, hardly cathartic in Aristotelian terms, reminds us that irresolution is a state of reality that we live with every day.

It is precisely the timeless (and thus contemporary) resonance of *Prince Igor* which producer Andrei Serban has taken as his point of departure. A new production of *Igor* is more relevant today than ten years ago, he explains, because the situations in the opera echo the world situation as it has evolved in the last several months. The fiercely independent Polovtsians, in their relation to medieval Rus, he points out, are the twelfth-century counterparts of today's Azerbaijanis in relation to modern Russia.

Serban emphasizes the universality of *Igor's* subject matter by avoiding a fixed sense of period. The style of costumes and properties, which is medieval in the prologue, has moved forward nearly to the present by the last act. In appearance and dress, he notes, the common folk in Act IV of the opera are very close to those we see in photographs from Eastern Europe in the daily press. Moreover, Serban finds the unresolved ending of the opera in perfect accord with his conception of the work, for the cyclic repetitions of history have no lasting point of resolution: the return of Igor to Putivl, the hero to the devastated land, is cause for joy at the moment but offers no guarantee that devastation (and renewal) will not recur.

Minimalism and elegant junk

GLASGOW'S YEAR as Cultural Capital of Europe has begun, for which distinction the restoration of the magnificent McLennan Galleries, temple to Victorian philanthropy and civic pride, might almost be celebration enough. Its inaugural exhibition, *The British Art Show 1990* (until March 11), then on to Leeds and London, sponsored by the venture capital group, is the third in a series, begun in 1979, of substantial touring exhibitions of contemporary British art.

The Arts Council's intention was to make a major statement, every four or five years, on the currency and condition of the visual arts in Britain, and to make it directly available not merely to a London, but to a national audience. For while such surveys were nothing new, a natural resentment had declared itself against the assumption that one would perforce get up to London to see them.

South Bank Board still honours that intention, but it has weakened. For the first time the *British Art Show* is, to come to London on its tour, to fall conveniently into the summer slot so often filled by the Hayward Annual, from which it thus becomes indistinguishable. I cannot help feeling this to be a mistake, and here I should declare my interest: I was personally responsible for the selection of that first *British Art Show*, and a certain proprietorial feeling for it as an institution is hard to suppress. I am pleased it is still with us.

But differences there are, and a few comparisons are worth making. For the first show in 1979 I was commissioned to make a personal yet comprehensive survey, to take in artists young and old, established and unknown; I selected 112, the abstract along with the figurative, the expressionist, the conceptual and the minimal. For the second *British Art Show* a committee of three was appointed, the artists Jon Thompson and Alexander Moffatt and the critic Marjorie Allthorpe-Guyton. Theirs too was

a personal choice, more consciously didactic than mine, but none the worse for that and still very much a survey. The number may have been down to a mere 80 artists, but they were again of all kinds.

For this latest *British Art Show* a committee of three was again appointed, made up of one artist, David Ward, and two curators, Caroline Collier and Andrew Nairne. From more than 1,000 artists whose work they saw they chose only 42, and most of those were under 35 years old. Fair enough: a choice is a choice, and the selectors here stand firmly and honourably by the one they have made. But a choice is not necessarily a survey, and if the *British Art Show* is no longer to be a survey but a choice, as particular as this, a great deal has been lost.

There are no themes by which the show is arranged, each artist's work left to speak for itself, and yet it all sits together in a consistent and oddly old-fashioned way. The pre-occupations are those of the art school orthodoxies of the 1970s, writ large and in the best materials. There is some smart abstract expressionism, very little figuration and that either directed at social issues or dealing in serial or collective images. There is a lot of installation sculpture, assemblage, elegant minimalist and elegant junk, against which Veronica Ryan's delicately patinated and crumpled surfaces stand out like a good deed in a dull world.

The show is beautifully installed and intrinsically interesting, within its own terms, but terms more to do with exhibiting attitudes to art than life, than with any true experience of either. How one longs for some honest, disinterested observation, true modelling, good drawing, loving paint. I say it perhaps who should not, but the *British Art Show* is not what it was, even last time.

William Packer

Finding their feet with Fille

THE ROYAL Ballet's young generation has been showing its paces in performances of the programme that precedes *La Fille mal gardée* with *Laurentia*. The *Laurentia* secret calls for an exuberantly Spanish manner, rejoicing in difficulties, that is known best to Soviet dancers. Our girls look willing but nonplussed; our men (Errol Pickford an honourable exception) as if they would be better employed in Bourdonville, whose demands for buoyant clarity would suit them.

On Wednesday night I thought Sergiu Pobrezevic stylish in what he did, but the next night Laurent Hilaire - in a welcome return from the Paris Opera - showed the allure and grandeur of effect which can best make sense of this guide to the more demanding steps in the male vocabulary. (The men looked more relaxed on this occasion without the hats that were earlier part of the costume.)

It is on their native heath that this new generation of artists should win their first honours - and so it proved with the debuts in *Fille*. On Wednesday, Stuart Cassidy was a Colas who has set out on the right path. He has the sincerity of manner and the technical potential to give the role its proper values of physical elan and yeoman honesty. I thought he played and danced exactly as one would hope a debutant in the part should - without undue fuss and with enough relaxed charm to make the character live. And he had the inestimable advantage of Rosalyn Whitten's Lise to guide him.

Miss Whitten's interpretation is compact of virtues - physical virtues in filling out Ashton choreography with real Ashtonian nuance and generosity of effect; dramatic virtues in that she knows exactly who Lise is, the charm

and wit of the girl as well as her determination towards happiness, and why and how she should behave at every moment. It is as complete, well-rounded and bewitching a reading as any since Nerina's adorable creation. The dance is luscious in use of trunk and arms, and never demure; the drama sparkles as this delightful girl sets eagerly about loving her Colas. I find Miss Whitten's artistry an abiding joy.

On Thursday Viviana Durante and Errol Pickford came fresh to the farm and the cornfield. Both young artists need know no fears about the technical challenges of the piece: they pull off every bravura moment with ease. Miss Durante, who can drive a tragic role - Nikiya, Juliet - with a nervous passion that is the motor for her dancing, made a first sketch of the character with a fine clear line. It was scrupulously done, and now awaits the warm colours that her temperament will give it with more experience.

Mr Pickford is an actor of the simple and direct school as Colas, and the truth of the reading lay stunningly in his dancing. What we need to know about the young farmer we see in huge shapes of movement, in the energy and ardour of his technique. His account of that taxing first solo with the staff was the best for many years; the cornfield's hurdles were sailed over as if they did not exist. We understood and liked the character for his prowess, and for what it implied about directness of feeling and honesty of personality.

The contribution of John Lanchbery's conducting to the pleasure of these evenings was real. He nurses solos with sympathetic tempi, and - in such small things as the delicacy with which Lise's first exit is played - makes us love the music and the drama all the more.

Clement Crisp



Royal Opera House



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SPORT

Beefed-up Broncos face a mincing

Peter Berlin casts his eye over the All-American muscle on display for the Superbowl

THE GREATEST display of prime US beef on the hoof will be on show tomorrow in the New Orleans Superdome for the Superbowl. And in American football big, even obese, is beautiful.

The 24th Superbowl between the San Francisco 49ers and the Denver Broncos has been billed as a battle of the star quarterbacks — a showdown between two men who will never be on the field at the same time. Joe Montana of San Francisco and John Elway of Denver. But American football is a team game and how well the two superstars perform depends very much on the 90-odd men in their supporting cast, how they play and, in some cases, how much they weigh.

The two teams have hauled 94 fit players across the country to New Orleans. According to the clubs 23 of those weigh 265lbs (19st as near as makes no difference). Twelve of those are super-heavyweights — the Broncos, the other 11 are 49ers; all of them are linemen.

The linemen are the players who squat down in two rows over the ball. All teams use at least five linemen in offense. The offensive linemen defend the quarterback on passing plays and clear opposing play-

ers out of the way when their team runs the ball. Denver and San Francisco generally use just three defensive linemen backed by four slightly lighter, quicker linebackers. Their job is to put pressure on the opposing quarterback and to stop their opponents running the ball.

Life in the trenches is brutal and exhausting as 300lb bodies crash into each other on every play, but it is not mindless. The 49ers are famous for the carefully choreographed way their linemen "stunt," "pull" and "block" to create the right hole for their backs or adjust to variations in opponents' defensive patterns to fill all the lanes approaching Joe Montana. They are also notoriously tough. They push the rules on holding opponents to the limit, and exploit every opportunity to smash into their opponents' hard and low, what is called "chop blocking."

The 49ers have built their strategy around winning the war of attrition between the lines. They start from the defensive line, and try to keep their offense on the field as long as possible. They are happy to forego the spectacular long play rather than risk losing the ball and instead settle for a slow but sure approach to

moving the ball. This is where Montana excels.

On passing plays Montana generally glides back just three or five steps before throwing. The ball is in the air so quickly that defenders have little time to lay a hand on him. The speed of the play makes the job of protection easier for the offensive line but means that the wide receivers do not have time to get far downfield. That does not bother Montana, who does not have the howitzer arm of Elway. He settles for accuracy and deception.

Montana's great strength is a willingness to settle for what he is given: he does not force the pass to a well-marked receiver. That is why his top receiver this season is Tom Rathman, the bulldozing full-back.

Montana is helped by the versatility of his backline. Unlike many wide receivers Jerry Rice and John Taylor are prepared to abandon the safety of the sidelines and venture into the middle of the field. Rathman and the halfback Roger Craig are unusually safe catchers.

This flexibility in the backs allows the 49ers to use the same backs in different formations without tipping the play they are going to use with substitutions. The Broncos often

get round this problem by putting 12 or 13 offensive players in the huddle and yanking the extra men out just before the play starts.

If the 49ers win they will be the first team since the Pittsburgh Steelers in 1979 and 1980 to take successive Superbowls and they will equal the Steelers' record of four wins. If that happens the Broncos will equal the Minnesota Vikings' unhappy record of four Superbowl defeats.

In 1987 and 1988 the Broncos got to the Superbowl with lightweight teams and no running backs. They were carried largely by Elway's passing and running ability. Where Montana's game is short and quick, Elway likes to go "down town" and he will scramble around in the backfield for as long as it takes for one of his wide receivers to get open down field. What went wrong in his previous two Superbowls was that the opposition began to catch him.

In both games, first against the Giants and then against the Redskins, the Broncos led before their small offensive line was over-run and their lightweight defensive line, which relied on speed and finesse, was overpowered. In both games their opponents racked up huge gains running

the ball and their unsung quarterbacks, unmolested by the Denver defense, gave exceptional displays of passing while Elway discovered you cannot pass if you are sitting on the grass. The Giants sacked him four times, the Redskins five times. The defenses were helped because they knew what was coming. Denver had a weak running game and had to serve up an unbroken diet of passes. Elway threw four interceptions and the Broncos lost by a combined 30-81.

After having twice had sand kicked in their faces the Broncos went in for muscle building. They have added running backs Mel Bratton, and Bobby Humphrey. This has allowed them to control the ball and batter opposing defenses — although the 49ers line, which excels against the run, will be a different matter.

On the line the Broncos have added bulk. They replaced 270lb offensive tackle Dave Studdard with 300lb Gerald Perry and, at the heart of the defensive line, Greg Karsch has put on 10lbs. Some pundits suggest that, in the pursuit of power, the Broncos have sacrificed the speed which the 49ers have in plenty, but at least they won't lose this Superbowl at the weigh-in. The Las Vegas oddsmakers



Broncos' quarterback John Elway: The man the 49ers must bring to earth

are not impressed and predict that the 49ers will win by 12 points — a huge margin. Denver might be equipped to play the power game but San Francisco do it better than anyone. If Denver cannot outmuscle the 49ers their best hope will lie in the opportunism which

can turn games. American football, so the saying goes, is a game of inches. When Elway heaves the ball 50 yards the difference between an interception and a touchdown is often the width of a finger. The 49ers tend to fumble the ball and, while Montana throws fewer

interceptions than Elway, he does err occasionally. It seems more likely that on Sunday night Denver might find themselves unable to answer the question which stymied the campaign of another famous representative of Colorado: "Where's the beef?"

THE CATHOLIC Bishop of the Leeward Islands is handsome. He has deep eyes and long, sinuous fingers. He is popular in his diocese, nowhere more so than in its leading city of St John's, Antigua.

This is where England, now in training in the Caribbean, will play the last Test match of the West Indian tour. This is the home ground of Viv Richards. This is where the Bishop's cathedral becomes a sunlit delirium of praise when England are annihilated.

On England's last tour, Richards scored a second innings century at St John's in only 56 balls to clinch a farewell victory. Antigua is still celebrating. Poor old England, dismal memories and a damp winter to launch them into the fray. The only thing to do is forget about avoiding another blackwash and think about winning.

It doesn't matter if last time's horrors are remembered or forgotten. What matters is to hijack the West Indian calypso optimism and play aggressive cricket. It is all in the mind. And the winning wish is why England, with only six specialist batsmen and, sadly, without David Gower, must concentrate on the mind.

Fortunately for England, their first game, on Friday, is in the Leeward island

Gooch and Co need calypso optimism

Teresa McLean thinks prayer is a wonderful thing for England's cricketers

of St Kitt's, a more secluded introduction to combat than Leeward Antigua would be — although not, if the explosive new Warner Park pitch lives up to its name, a peaceful introduction.

The Leewards have become a West Indies talent depot in the last few years, contributing Winston Benjamin and Curtly Ambrose to the bowling and Ravi Richards and Viv Richards to the batting. The Windward Islands, where England play their second game, has a humbler crop of cricketers, represented at Test level by Phillip DeFreitas, who is one of four English weapons from inside the enemy camp.

Graham Gooch must use these weapons, and be seen to be using them, to maximum effect. Gower did not have a single West Indian in his 1985-86 tour. Gooch has DeFreitas, Ricardo Elcork, Devon Malcolm and Gladstone Small. The trouble is that so far only Small has shown himself to be a really good Test class bowler.

DeFreitas can bowl well but is often ordinary and expensive. Elcork and Ambrose were both released by Worcestershire because their extremely fast bowling was extremely bad.

Elcork plays a bit for Middlesex, where his staying power seldom rises above one or two overs and Gidding described him as very raw. Malcolm has his moments for Derbyshire, although quite a lot of them are moments best forgotten. His Test record is 1 for 196. Nevertheless, the presence of four West Indian pace bowlers in the English team could be a valuable psychological weapon.

Of the West Indian pace battalion that will bombard England throughout the tour, Courtney Walsh, Ian Bishop, Patrick Patterson and Tony Grey look far less dangerous when they play for their English counties. If they can turn themselves into born-again death threats on West Indian soil, perhaps Malcolm and Elcork can do the same, particularly on

their home grounds in Jamaica and Barbados, and Malcolm's spectacles will glint with menace as he runs in to bowl. Elcork reveres Malcolm Marshall, a superb bowler from whom he learnt much.

England are giving youth a fighting chance on this tour. As recent English Test match experience in the West Indies has been desperate — they last won a Test there 16 years ago — the hope is that young players inexperienced enough to have their confidence intact — Nasser Hussain, Alec Stuart and Robert Bailey batting; Angus Fraser, Keith Medcote, Malcolm and Elcork bowling — will combine well with the old campaigners.

Confidence is the key and I suspect that Allan Lamb, who managed some good, belligerent innings on the blackwash tour, will play an important role as vice-captain. Gooch is tough and his batting can last, but he has the trauma of his last two Caribbean tours to live and he does not generate the same electricity as

Lamb. Robin Smith has Lamb's South African hard-headedness but he sometimes looks uncomfortable against pace.

Wayne Larkins, too, is unpredictable and one can only hope that his recent good form in India will carry him through this series resplendent with aggression. Too often he just looks led up with his bad luck in resembling a dangled sheep with a halo on. If England can get their batting together they can disarm the temperamental West Indians and put them back in a dreary county frame of mind where there are mashed swedes for lunch.

With luck, the first major fixtures will help to lift English spirits because they are one-day games, at which England are quite successful and beat the West Indies last time they met. There are no fewer than five one-day internationals on this tour, which is far too many and will worsen the tourists' propensity for colourless medium pace bowling, such as David Capel frequently has on offer. But Fraser

is a useful, mean bowler and an early one-day victory would be a drink in the desert for England.

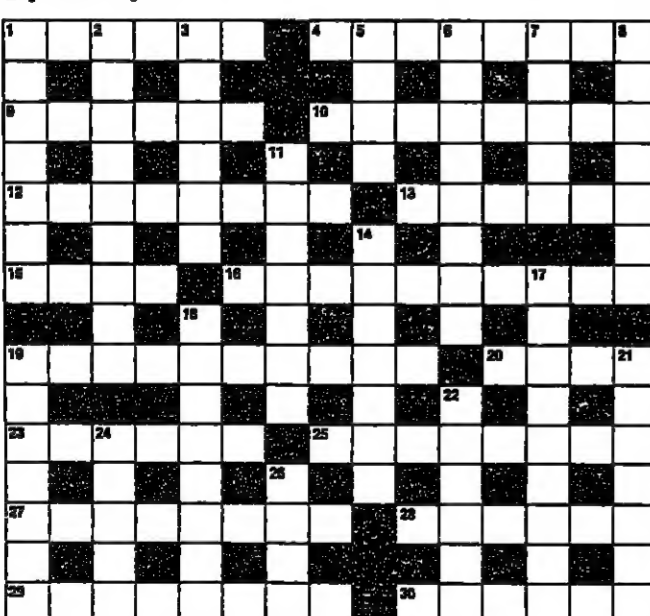
Ideally, they will then break free of their nervous carelessness and all the apocryphal and plans of campaign imposed on them by their difficult, unhappy management, and play their natural game, with all its twists and turns. There are two spinners in the squad. Hemmings is old (41); Medcote is young (24). Both are new to the Caribbean; both are keen and both, especially Medcote with his slow, left arm drifters, are practitioners of an art with which few West Indians are familiar enough to be completely at ease.

West Indian pitch conditions always have a surprise element hidden somewhere. So does good spin bowling. But the most under-rated secret weapon is the occasional bowling of batsmen. I hope Gooch will not hesitate to give his own and Lamb's medium pace and Bailey's off breaks a good time to time.

If the heat helps limping, wilting England become bloody-minded and extrovert, the last Test at St John's, Antigua, April 5 might even see the Bishop using his cathedral as help for help from heaven before giving thanks. As the Bishop would be the first to proclaim: "All things are possible to he who believes in the Lord."

CROSSWORD

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Solutions to be received by Wednesday February 7, marked Crossword 7,149 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 10.



- ACROSS
- 1 Which silver among change? (5)
 - 2 Lent to progressive? (8)
 - 3 21 Where Parisians go when they die? (6,7)
 - 4 French general giving lieutenant unlimited command (10)
 - 5 Flag of gold torn by parrot (3,5)
 - 6 See 1 down
 - 7 16 Requirement of training in other fields, most of Roman general's policy.... (4-10)
 - 8 ...with which old Greek dean managed Church of England (10)
 - 9 ...that's the way to share.... (10)
 - 10 ...round cheese in pig's house (8)
 - 11 Remedy against love? (5)
 - 12 Thin round pole gets scattered (8)
 - 13 Important person about to go wrong in Old English has gone too far (8)
 - 14 Aquatic beast with American flower (6)

- DOWN
- 1 13 Broken clip is saviour from what goes from bad to worse? (7,6)
 - 2 £1,000 to bang noisily — nothing is lost (5,4)
 - 3 Lame person topped by wave (8)
 - 4 26 Thick slice on the threshold (8)
 - 5 Appoint (usually) oriental as rival church leader (8)
 - 6 Academic seat? (5)
 - 7 Maker of 1,000 French films? (2,5)
 - 8 Roundabout piece that's spoken about (7)
 - 9 Diamonds speak lovingly to student that's quite unruffled (3,4)

17 I have an unspecified degree, unfinished in equal measure (10)

18 Judicial instrument (8)

19 Rent trouble causes storm (7)

20 See 9

21 It's right to support the Queen (6)

22 Bird man's part? (5)

23 See 5

Solution to Puzzle No. 7,148

ACROSS

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BBC1

6:50 am Commonwealth Games. 9:50 Going Live. 10:15 News. 10:30 Grandstand including 10:30 Commonwealth Games. 10:30 Football. 10:45 News. 10:50 News. 11:15 News. 11:30 News. 11:45 News. 12:00 News. 12:15 News. 12:30 News. 12:45 News. 1:00 News. 1:15 News. 1:30 News. 1:45 News. 2:00 News. 2:15 News. 2:30 News. 2:45 News. 3:00 News. 3:15 News. 3:30 News. 3:45 News. 4:00 News. 4:15 News. 4:30 News. 4:45 News. 5:00 News. 5:15 News. 5:30 News. 5:45 News. 6:00 News. 6:15 News. 6:30 News. 6:45 News. 7:00 News. 7:15 News. 7:30 News. 7:45 News. 8:00 News. 8:15 News. 8:30 News. 8:45 News. 9:00 News. 9:15 News. 9:30 News. 9:45 News. 10:00 News. 10:15 News. 10:30 News. 10:45 News. 11:00 News. 11:15 News. 11:30 News. 11:45 News. 12:00 News. 12:15 News. 12:30 News. 12:45 News. 1:00 News. 1:15 News. 1:30 News. 1:45 News. 2:00 News. 2:15 News. 2:30 News. 2:45 News. 3:00 News. 3:15 News. 3:30 News. 3:45 News. 4:00 News. 4:15 News. 4:30 News. 4:45 News. 5:00 News. 5:15 News. 5:30 News. 5:45 News. 6:00 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